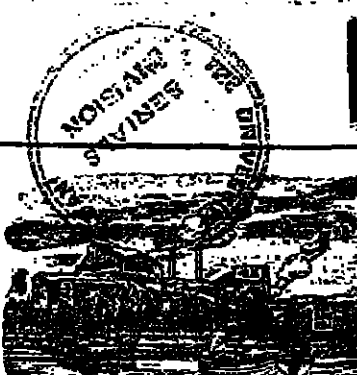




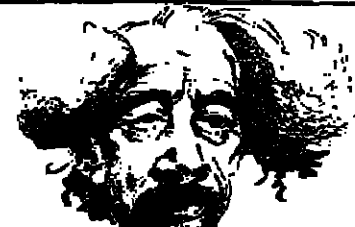
A short history of financial scandal

Richard Lambert on Ernest Saunders (left) and the tradition of City wrongdoing. Barry Riley deplores ethics within the Square Mile. Page 1



Fishing for Glasnost

Tom Fort describes three months on the rivers of eastern Europe. Page VII



The world of Dickens

Anthony Curtis assesses the Peter Ackroyd biography. Page XI

Golf's Eldorado

Richard Gourlay on the course developers who are fastest on the draw. Page XX

EUROPE'S BUSINESS NEWSPAPER

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Weekend September 1/September 2 1990

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WORLD NEWS

SA's ruling party ends bar on blacks

South Africa's ruling National Party, which created the apartheid system, is to throw open party membership to blacks as well as whites.

Party leader President F.W. de Klerk said: "Racism and racial discrimination in South Africa is gone forever."

Natal provincial congress delegates greeted the resolution enthusiastically but it has still to be approved by three other provincial congresses. Page 22; Fact ends Soweto boycott. Page 2

Gorbachev confident

President Mikhail Gorbachev said he was confident of holding the Soviet Union together as a political and economic entity. He said he had reached an understanding with all the country's constituent republics at a "momentous" Kremlin meeting. Page 22

German unity pact

East and West Germany signed the treaty clearing the way for German unification on October 3 after overnight talks had resolved outstanding differences. Page 22

Council corruption probe Police investigating allegations of corruption within St Helens Council, Merseyside, arrested 11 people in a series of early-morning raids. Page 4

Shias clash in Lebanon Clashes between Shia Moslem gunmen killed 20 people and wounded 50 in fierce fighting around Baalbek in Syrian-controlled east Lebanon.

Offer to French farmers French farmers angry at falling prices were offered FF1.2bn (£180m) in government grants to offset losses.

Hispanic Agriculture Minister Henri Nallet announced the aid two days after 200,000 farmers had staged country-wide protests that left more than 24 people injured. Page 2

Six die in Swiss shooting A Swiss jeweller who was deep in debt and hated banks killed five people before taking his own life. Richard Bretiller, 43, killed his wife and two children and a woman colleague, then shot dead one of four bankers he had invited to a Zurich restaurant.

Angola peace talks fail Ceasefire talks in Lisbon between Angola's left-wing Government and US-backed UNITA rebels broke up without agreement. Portuguese mediators had tried for four days to break a deadlock about the timing of a truce to end 15 years of civil war.

Hijack attempts foiled Soviet passengers and crews foiled two separate attempts to hijack Aeroflot airliners — one to Afghanistan, the other to West Germany.

Controls on homes The Government is to plug a legal loophole by insisting that old people's homes must be registered with their local authority. At present they are exempt from checks and controls.

Indian election ruled out India's Prime Minister V.P. Singh ruled out holding mid-term elections. His decision to raise the number of public sector jobs reserved for lower castes led to widespread protests, many violent.

BUSINESS SUMMARY

Lilley faces row over MMC referral

A diplomatic row could develop following the surprise referral to the Monopolies and Mergers Commission by Trade and Industry Secretary Peter Lilley of a big share stake by a French state-owned bank in an Irish-based company with financial interests in Britain. Page 22; Lex, Page 22

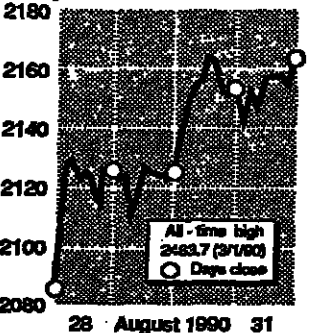
CITICORP Scrumgeour Vickers, stockbroking arm of US bank Citicorp, became the first foreign securities company in Tokyo to be publicly punished by the Japanese Ministry of Finance for allegedly infringing securities law. Page 2

TOKYO: Consumer prices in the city rose last month by 3 per cent, the highest underlying annual rate of increase for more than five years, prompting renewed concern about inflation. Page 2

UK EQUITIES: The FT-SE 100 index ended a trading week shortened by the August bank

FT-SE 100 index

Hourly movements



holiday at 2,162.8, a gain of 9.2 on the day. Page 13

OIL PRICES continued their upward movement. North Sea Brent crude for October delivery rose 45¢, cents to \$26.80 a barrel. US crude, also for October, was up 92 cents at \$27.69 in mid-day trading.

BRISTOL-Myers Squibb, US drugs company, is to acquire a blocking minority shareholding of 33.5 per cent in UPSA Group, French pharmaceuticals group. Page 10

NUCLEAR ELECTRIC, UK state-owned company which runs the nuclear power stations in England and Wales, is to work with Electricité de France, French state electricity authority, on the design and safety of the next generation of light-water nuclear reactors. Page 5

SWIRE PACIFIC, Hong Kong-based aviation, property and trading group controlled by the Swire family, announced a 16.5 per cent drop in net interim profits to HK\$1.1bn (£73.3m). Page 10

GREENALL WHITLEY, Britain's biggest regional brewing and leisure group, is to close its brewing operations with the loss of 700 jobs. Page 8; Lex, Page 22

LEYLAND DAF is poised to launch a revised range of heavy trucks — including a replacement for the former Leyland flagship model, the Roadtrain — into the most depressed UK market for more than a decade. Page 4

PARKFIELD GROUP, the administrators of the collapsed mini-conglomerate are close to selling the company's fabrications business in what would be the first big disposal effected to date. Page 8

TIPHOOK, UK container rental group, is paying £19.5m cash to acquire about 2,350 vehicles from north-east of England based York Trailers Holdings. Page 8

Jordan influx 500 an hour • Food and water in short supply
Exodus of Gulf refugees grows

By Jim Boddenger on the Turkish border and Jimmy Burns in London

A HUMAN tide of up to half a million foreign refugees from Kuwait and Iraq crisis were massing at the Iranian border, and a further 200,000 were heading towards the Turkish border gate of Habur yesterday posing huge relief problems, United Nations agencies reported yesterday.

In Geneva, the United Nations Disaster Relief Organisation (UNDRO) said that in the last forty-eight hours alone, 9,200 Bangladeshis, 5,000 Pakistanis, 4,000 Sri Lankans and 1,000 Filipinos crossed into Jordan, while one senior Jordanian official estimated that refugees were crossing from Iraq at a rate of 500 an hour.

The official quoted by Reuters said 20,000 refugees were at Marj al-Haman, a trading post south of Amman, 5,000 in the Jordanian capital itself, 7,000 at two makeshift centres on the road to Amman airport, 2,300 at Zarqa, northeast of Amman, and 1,725 in the Red Sea port of Aqaba.

The League of Red Cross and Red Crescent Societies are to fly 60 tonnes of food into Jordan this weekend amid reports from some of its officials on the Iraq-Jordan border that some refugees had gone without food for three days.

The league said yesterday: "There is no food available locally and milk, shelter and blankets are still urgently needed."

The first league plane is expected to fly from Basle, Switzerland, today with tents, blankets, and 20 tonnes of food. A second flight with 40 tonnes of mostly foodstuff is due to leave tomorrow.

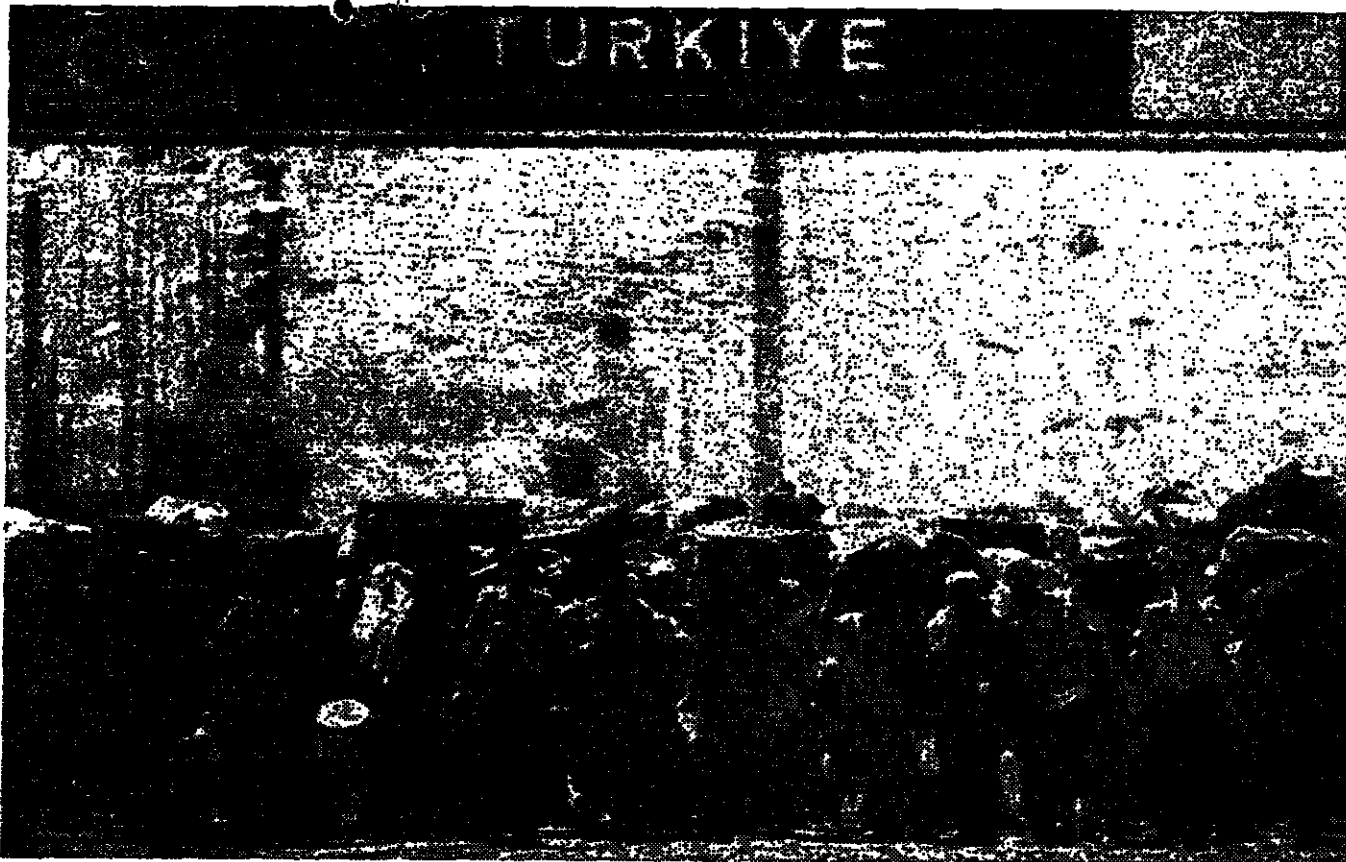
Crown Prince Hassan of Jordan has appealed to the international community to send more planes and ships to help in the evacuation and prevent a "human disaster".

No-one appeared to be looking after the refugees on the Turkish border. The Iraqis are herding them towards the border while the Turks are reluctant to let in such vast numbers.

The Turkish Red Crescent (Red Cross) treated around 80 people including three serious hospital cases. In general they had been treated for starvation, dehydration, sunstroke, and diarrhoea from the water melons which were practically the only food given out in the Iraqi compound.

In the Turkish immigration shed, a few overworked and harassed police officers laboured with piles of passports, stamping them with hardly a glance. Pakistani embassy officials said so far around 7,500 had come out of about 25,000-30,000 in total of their nationals expected to escape through Habur.

One refugee, an Indian born civil servant from Kuwait said



Pakistanis escaping from Iraq with their belongings stream across the border into Turkey yesterday

Gulf crisis, Page 3; Editorial Comment, Page 6; Man in the News, Page 6; 'Telephony', Page 6; Money Markets, Page 11; London Stocks, Page 13; Wall Street, Page 19

after managing to cross into Turkey. "I waited six days in hell over there. There was no water, little food, and nobody cared." Other refugees accused Iraq of ill treatment. A nurse at a small makeshift hospital in Habur said she had seen at least one obvious victim of beating.

The Turkish Prime Minister Mr Yildirim Akbulut, stated that Turkey might have to close Habur temporarily given its inadequate infrastructure of facilities should the gate be swamped by refugees.

UN relief agency officials in Geneva say that countries such as Egypt, Pakistan, Bangladesh, and the Philippines are ill-prepared logistically and politically to handle either the transport or the influx of the growing number of people escaping from the Gulf crisis.

It came as Mr Javier Perez de Cuellar, the United Nations Secretary-General, struggled to find a diplomatic way out of the Gulf crisis in protracted talks with Mr Tariq Aziz, the Iraqi Foreign Minister.

In London, Mr Cecil Parkinson, the Secretary for Transport, warned in a statement against possible terrorist strikes on British airlines.

Mr Perez de Cuellar had two meetings with Mr Aziz in the Jordanian capital. After an initial session, he said the two had had "useful" talks.

Iraq still delaying release of women and children

By Hugh Carnegie and Lams Andoni in Amman and Lionel Barber in Washington

IRAQ said last night that it had moved all the foreign women and children it is holding hostage away from potential military targets but continued to delay their release.

Iraqi officials also indicated, in what appears to be a continuing cat-and-mouse game with the hostages, that more foreign male hostages have been moved to sensitive installations to deter any attack.

The assurance on women and children was given by Mr Najib al-Hadi, Iraq's director of information, in an interview with Reuters news agency.

Continued on Page 22

Pound suffers biggest one-day fall since Lawson resignation

By Rachel Johnson

STERLING yesterday suffered its biggest one-day fall for 10 months after a show of sustained strength on the foreign exchanges since the start of the Gulf crisis.

The pound fell over three cents against the dollar and almost five pence against the D-Mark, amounting to a fall of 1.6 points in the trade-weighted index, amid renewed speculation that the entry into the exchange rate mechanism.

The last time the pound fell so sharply was the day after Mr Nigel Lawson, the then Chancellor, resigned in October last year when the index dropped by the same amount.

Rumours of imminent membership of the ERM "at the weekend" have been a common feature of the currency markets on Fridays. Usually such rumours serve to lift sterling, a volatile currency, with hopes of a stable future within the ERM.

These rumours have failed to materialise during the tensions

in the Middle East. Sterling has looked invincible on the foreign exchanges, bolstered by higher North Sea oil prices and higher interest rates than the D-Mark, dollar and yen.

The sudden resurgence of ERM speculation yesterday, however, appears to have been a factor in sharp falls in sterling after its strong run against other currencies.

The pound fell to DM2.9650 at one stage as traders responded to rumours that the Bank of England was in the market selling the currency. Foreign exchange dealers thought that the Bank was attempting to drive sterling lower as an entry level of DM3 would be unsustainably high.

Officials would not confirm the Bank's presence in the market yesterday, and shrugged off the market tensions as "rumour".

Analysts agreed that it was not one, but a variety of factors — some contradictory — that had toppled sterling. One was the prolongation of the Gulf crisis. This had awak-

ened fears that sterling would, in fact, not enter the ERM while financial markets were so sensitive to the volatility of oil prices. This contributed to the big sell-off in sterling yesterday which had started in the Far East and extended to Europe and the US yesterday. Additionally, growing evidence of weakening demand in the UK economy, such as the falling rates of growth in the money supply and retail sales, were bringing the prospect of an interest rate cut closer. As Japan had raised its discount rate this week and there was the possibility that West Germany could raise its rate next Thursday, this could diminish the pound's attraction as a high-yielding currency.

However, analysts said that sterling's weakness would probably be short-lived while it retained the backing of high interest rates and the UK's position as a net exporter of oil.

Money Markets, Page 11; London Stocks, Page 13; Wall Street, Page 19; Lex, Page 22

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime: \$1.82	New York lunchtime: DM1.578	FT-SE 100: 2,162.8 (+9.2)
London: \$1.825 (1.8225)	FFY.292	FT Ordinary: 1,693. (+5.7)
DM2.925 (3.01)	SPY.131085	FT-A All-Share: 1,051.06 (+0.3)
FFY.8975 (10.0225)	Y143.75	New York lunchtime: DJ Ind. Av. 2,603.96 (+10.64)
SPY.2476 (2.48)	London: DM1.5785 (1.589)	S&P Comp 320.35 (+1.84)
Y272.25 (277.25)	FFY.2925 (5.25)	Tokyo Nikkei 25,878.37 (+308.41)
£ Index 96.0 (96.3)	SPY.1308 (1.2955)	LONDON MONEY
GOLD	Y143.85 (144.25)	3-month interbank closing 1433 (15-1433)
New York: Comex Dec \$389.2 (388.7)	\$ Index 63.6 (63.2)	Libor long gilt futures Sep 82 1/2 (81 1/2)
London: \$385.25 (388.0)	Tokyo close: Y144.5	
IN SEA OIL (Argus)	US LUNCHTIME	
Brent 15-day Oct \$26.60 (26.175)	RAVES	
	Fed Funds 8%	
	3-m Treasury bill: yield: 7.602%	
	Long Bond: 97 1/2	
	yield: 8.982%	

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INTERNATIONAL NEWS

Red Army revolt over 'tent city' repatriation

By Leslie Collett in Berlin

SOVIET army officers and their families in East Germany have staged unprecedented demonstrations this week over plans to return them to a hastily-erected tent city in the Soviet Union.

If the unrest spreads it could speed up Moscow's plans to bring home its 380,000 troops in East Germany.

A sit-down strike was staged by junior officers and their wives at the sprawling barracks of the motorised Soviet Army regiment in Burg near Magdeburg. The nearly 100 participants were dragged away by military police and arrested. Two groups of officers and their wives were immediately returned to the Soviet Union.

Mr Rainer Eppelmann, the East German Defence Minister, said yesterday the revolt in the Soviet camp was indicative of the explosive mood among the Soviet troops. Many were afraid of returning to an uncertain future at home. The Bonn Government is negotiating with Moscow on providing financial help to build homes for repatriated Soviet troops.

Soviet officers stationed in Burg reported on the incidents which began last Tuesday and continued yesterday. The rebellious officers and their wives protested over plans to send them to the northern Caucasus region of the Soviet Union where they would be housed in tents this winter. Other Soviet officers' wives speaking yesterday outside the camp gates said they planned to continue the demonstrations, which were being supported by East German women.

East German officials said they were worried that a number of Soviet troops might apply for asylum in eastern Germany after unification on October 3. This would present the German authorities with a major political headache as Moscow is understood to have insisted that the German authorities return all Soviet citizens who apply to remain in Germany.

Soviet army wives at the base tried to send a telegram to President Gorbachev appealing for his help but were turned back at the army post office.

However, with German help they sent their appeal, written in Latin letters instead of Cyrillic, from an East German post office. Soviet wives outside the entrance to the base displayed hand-painted posters calling on Mr Gorbachev not to allow them to "perish" in the cold of the northern Caucasian mountains.

Aeroflot plans \$2bn engine deal

By Charles Leadbeater, Industrial Editor

The Soviet Union is preparing to fit new engines to Aeroflot's fleet of IL-86 airliners in a \$2bn deal with CFM International, a 50-50 joint-venture between General Electric of the US and Snecma, the French state company.

Mr Jean Billen, president of CFM International, said yesterday the company had a team in Moscow working on details of the project with Aeroflot, the state airline and Irkutsk, the Soviet airliner manufacturer. The Soviet authorities are expected to decide early next year on whether to proceed with the programme. The deal could lead to orders for between 300 and 400 engines.

Mr Billen said the fitting of the CFM56-5C engine, designed for the Airbus 340 airliner, would extend the IL-86's range by 30 per cent and cut fuel consumption by a third.

Jean-Pierre Van Rossem's Moneytron machine led him to fame, fortune and prison, reports Lucy Kellaway

Downfall of Belgium's \$7bn hippy capitalist

ON HIS last day of freedom before going to jail, Mr Jean-Pierre Van Rossem, Belgium's hot-shot financier, called a press conference. "I've got some good news and some bad news," he said. "The good news is that there will be one capitalist less in the world. The bad news is that he is me."

One cannot imagine Mr Ernest Saunders or Mr Gerald Rensen displaying such self-satisfaction as they made their way to prison earlier this week but then no one behaves quite like Belgium's most colourful businessman.

Mr Van Rossem, 45, who was imprisoned in June on charges of forgery, abuse of confidence and signing bad cheques, was released by a court last month while the

investigation continued. Mr Van Rossem contests the charges.

A year ago he was managing over \$7bn for international investors and had amassed a personal fortune of \$200m. He has now lost a substantial part of that fortune. The immediate cause of the arrest, presented in evidence against him, is that cheques for \$12.5m (\$2.5m) have bounced.

Mr Van Rossem scarcely looks the typical financier, with grey hair down to his chest, huge rings on every finger and a rare taste in hippy clothes. He calls himself an anarchist, has disobeyed every rule of conventional behaviour - and the Belgians love him for it. A chain-smoking mathematician, he despises capitalism and longs to own a Swiss bank.

Born to a conservative Catholic family in the picturesque town of Bruges, Mr Van Rossem made his fortune from an econometric model that predicted movements on Wall Street with uncanny accuracy. His first model, which he created in a drug-induced haze in the late 1980s, tracked the Belgian economy, also with remarkable success. But when he tried to interest the government in it as a solution to their budgetary problems, he met a brick wall. Arriving clad only in a white sheet, he failed to impress Belgian officials.

The idea of using similar techniques to predict share market movements came to him in the mid-1970s when he was serving a prison sentence for fraud, forgery and theft. During that period he gave up drugs.

He spent 12 years and \$50m trying to perfect the Moneytron machine, until it was finally declared operational in the late 1980s.

Its first triumph was during the 1987 crash, during which Mr Van Rossem made some \$150m. Outside money starting pouring in from his rich friends then from two Swiss banks and Arab investors. But things then began to turn sour.

With his considerable commission income re-invested in the options market, his personal fortune had mounted. He spent the proceeds on Formula One racing and 17 Ferraris. He had more eccentric ways of spending his money - he bought Europe's first refrigerated coffin to house the body of his second wife, who died last year, but was pre-

vented from installing it in the graveyard by the local commune which thought the noise of the motor excessive.

Formula One brought international fame to both Mr Van Rossem and to Moneytron, but turned out not to be a good idea financially. He now admits it is best left to the experts: he sold the business earlier this year at a great loss.

To communicate to the world that last piece of bad news, he summoned a press conference at the Ritz in Paris at which he arrived in a convoy of four Ferraris. Most of those cars have now been seized by angry creditors, but in any case he has no further public displays in mind just now.



Van Rossem: 17 Ferraris

Polish prime minister speaks out against Lech Walesa at Solidarity anniversary

By Christopher Bobinski in Gdansk

POLISH Prime Minister Tadeusz Mazowiecki yesterday challenged Mr Lech Walesa to a political battle over the country's future.

Rivalry between the two men overshadowed celebrations to mark the 10th anniversary of the birth of Solidarity. "We face perhaps important decisions in which our choices and our convictions will differ and our paths may prove to differ," Mr Mazowiecki said.

"Let that be a struggle of meaningful arguments and meaningful programmes. It is important that we are able to tell each other that with all these differences we can be rivals, even political rivals, but we will never be enemies."

It was the first time Mr Mazowiecki had spelled out his political differences with Mr Walesa and come so close to hinting he may run against him for president.

At a meeting in the historic hall in the shipyard where 10 years ago Mr Walesa signed the Gdansk accord with the then Communist authorities, creating eastern Europe's first free trade union, Mr Mazowiecki appealed to the Solidarity movement, to observe "the boundary beyond which lies dangerous enmity and the tearing apart of the nation".

His speech underlined the deep splits in the movement in which he and Mr Walesa worked closely together throughout the 1980s. Mr Walesa has criticised Mr Mazowiecki's government for dragging its feet in political and economic reforms and for leaving former communists in positions of influence.

His supporters are demanding the swift removal of former Communist Party leader General Wojciech Jaruzelski as president. Mr Walesa has said he may run for the presidency in order to take charge and speed up the pace of change.

Mr Walesa, who won the Nobel Peace Prize for his role



Mazowiecki (left) and Walesa yesterday: heading for showdown

as leader of the 1980 shipyard strike, said Solidarity had started the wave of revolutions that toppled communist governments in eastern Europe last year.

"It all started here in the shipyard of Gdansk in August 1980," he said. "But the revolution is not yet over. We cannot leave the job we started unfinished."

Solidarity, Mr Walesa said, could no longer afford to rest on its laurels as a movement which had ousted communism but now faced "an exam in the art of government in new times which need new banners and a new language".

Earlier, Mr Walesa and Mr Mazowiecki met for about an hour in the Gdansk suburb of Oliwa but neither would speak

to reporters. Solidarity sources said the meeting was stormy. Later, as the two men and other guests - including members of the 1980 strike committee - went to a meal in the shipyard canteen a close aide to Mr Mazowiecki said there was a "95 per cent chance" the prime minister would stand for the presidency against Mr Walesa.

At the celebrations which included a bicycle race, a concert and a church service, Mr Walesa's key colleagues in the strike, Mr Andrzej Gwiazda and Mrs Anna Walentynowicz, whose dismissal sparked off the stoppage, were conspicuous by their absence.

Reuter adds: The World Bank, showering praise on Poland's economic reforms, yesterday signed a \$300m loan to support structural change.

Bank representative Mr Ian Hume said Poland was pursuing one of the most courageous, intense and fundamental economic reform programmes in the modern history of economic management.

The structural adjustment loan, which Mr Hume signed with Deputy Finance Minister Marek Dabrowski, brings the bank's commitments to Poland in the past year to more than \$1bn.

Meanwhile Foreign Trade Minister Marcin Swietlicki said Poland hoped to start negotiating next year for eventual membership of the European Community.

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Fresh concern over Japanese inflation

By Stefan Wagstyl in Tokyo

CONSUMER prices in the city of Tokyo rose last month by 3 per cent, the highest underlying annual rate of increase for more than five years, prompting renewed concern about a resurgence of inflation in Japan.

The figures will reinforce the Bank of Japan's determination to keep a tight grip on monetary policy following its decision this week to lift the Official Discount Rate by 0.75 percentage points to 6 per cent.

Japanese prices are being pushed up by strong growth in the economy combined with an acute shortage of labour.

The Tokyo price data, published yesterday by the Government's Management and Co-ordination Agency, is widely seen in Japan as a leading indicator of price trends across the country. Rates of increase of 3 per cent were recorded in the year to last April, most recently in March, but these were artificially inflated by the introduction in April 1989 of a consumption tax. The last time prices rose by 3 per cent before the introduction of the tax was in January 1986.

The August figure was boosted by an unusually high 21.3 per cent jump in the price of fresh vegetables due to hot weather. But even excluding perishable foods prices rose 2.5 per cent. The Government's Economic Planning Agency said the August figures pointed to a definite uptrend in domestic prices. The agency said it would pay

close attention to the possible additional effect of higher oil prices, driven up by the crisis in the Middle East.

The Management and Co-ordination Agency also published consumer price data for the country as a whole for July showing prices rose 2.3 per cent year-on-year, compared with a 2.2 per cent increase in June.

Japan's labour shortage, a key contributor to the pressure on prices, remains acute. According to a separate official report, unemployment fell in July to 2.1 per cent from 2.2 per cent in June. The number of jobs on offer exceeded the number of job seekers by 45 per cent.

The Ministry of Finance announced Japan's current account surplus in July fell sharply to \$2.02bn from \$5.5bn a year earlier. This followed a substantial decrease in June, when the surplus hit \$4.8bn.

After seasonal adjustment the July surplus was \$1.77bn compared with \$3.8bn in June. Despite the July figure, economists expect the surplus to start rising in the second half of this year as exports recover with the help of a weaker yen. However, the increase will be smaller than expected due to the rise in the oil price.

In July the merchandise trade surplus dropped to \$5.41bn from \$7.02bn in the same month last year.

The outflow of funds on the long-term capital account was \$7.9bn, slightly more than \$7.8bn recorded in June.

US stockbroker punished by Tokyo authorities

By Stefan Wagstyl in Tokyo

CITICORP Scrimgeour Vickers, stockbroking arm of US bank Citicorp, yesterday became the first foreign securities company in Tokyo to be publicly punished by the Japanese Ministry of Finance for allegedly infringing securities law.

Citigroup Scrimgeour Vickers was one of four securities companies admonished for allegedly carrying out trades connected with an attempt by Koshin, a speculative investment syndicate, to manipulate the share price of Fujita Kanko, a leisure group.

Ministry officials said yesterday that Citicorp Scrimgeour Vickers had been ordered to close its Tokyo branch for one day on Monday.

Daiva Securities, the second largest Japanese broker, was ordered to close its branch in Hibiya, central Tokyo, for two days on Monday and Tuesday.

National Securities and Ace Securities, two medium-sized brokers, were also ordered to close one branch each for two days.

The Tokyo Stock Exchange

fined the companies ¥500,000 (£1,754) each. Although this is less than 5 per cent of a stock trader's annual salary it is the maximum fine the TSE can impose.

Employees at the four affected branches were named in papers on the case studied by the Tokyo District Public Prosecutor's Office. The public prosecutor has indicted Mr Mitsuhiro Kotani, head of Koshin, on charges of stock manipulation in violation of the Securities and Exchange Law. But the public prosecutor decided to take no action against the brokers' employees.

Mr Kotani is accused of having driven up the shares of Fujita Kanko in order to sell a block of stock he owned at an inflated price.

He used the proceeds to repay loans taken out to fund a previous controversial stock market operation - the hostile takeover of Kokusai Kogyo, an aerial survey company. The public prosecutor is also investigating aspects of the takeover.

Pact ends Soweto rent boycott

By Philip Gawthorpe in Johannesburg

RESIDENTS of Soweto and local government officials have reached an agreement which brings to an end the five-year-old rent boycott in the black township outside Johannesburg.

The agreement, still to be ratified by Soweto's residents, is a breakthrough after years of strife about the running and financing of local government in black areas.

The rent boycott sprang from residents' unhappiness about the level of services rendered and a feeling that townships did not have adequate resources to pay for services. Both sides now have reason to be pleased.

The Transvaal Provincial Administration (TPA) has got acceptance of the principle that residents must pay for the services they receive with due regard to affordability.

The Soweto People's Delegation (SPD), on the other hand, has got the state to agree to write off the R514m (£73m) rent arrears which arose from the boycott.

Two other features of the agreement are notable. It is a rare case of a concerted boycott action by a community forcing a state body to negotiate. Secondly, by negotiating with the SPD, rather than elected black councillors, the TPA was implicitly recognising that government-created local government structures lack legitimacy in the community.

In terms of the agreement, a flat rate of R55 per household will be charged in September for rent and services. After that, a roughly similar tariff will be payable monthly until "new affordable tariffs" have been established.

Agreement was reached after 10 months of negotiations between the bodies. It came on the same day that Mr Herens Kriel, Provincial Planning Minister, announced that services, including electricity, would soon be cut to townships where residents refused to pay their bills.

"The fact is that the government simply does not have funds to continue providing finance and that the onus to pay for these services rests with the consumers themselves," said Mr Kriel.

Liberian peace force captures airport

The West African peace-keeping force in Liberia yesterday moved into an area of central Monrovia controlled by President Samuel Doe and fought rebels to win control of the strategic Spriggs-Payne airport. Reuter reports from Monrovia.

Force commander General Arnold Quainoo said his troops met resistance from the mainstream rebel movement of Charles Taylor near the airfield, which previously marked the front line between the Doe and Taylor forces.

Spriggs-Payne has a short runway but control of the airfield will mean that the peace-keeping force of nearly 4,000 men should be able to open an air link with Freetown in neighbouring Sierra Leone.

Strife with Armenia puts brake on Azerbaijani democracy

Leyla Boulton, recently in Baku, finds a mood of defiance ahead of a local election in the shadow of tanks and guns

LENIN Square in Baku was renamed Freedom Square after Soviet tanks rolled into the Azerbaijani capital in January. But the defiant Soviet republic still has a long way to go before achieving independence.

One obstacle is the conflict with neighbouring Armenia, which led to a crackdown by the army and a seven-month-old state of emergency in Azerbaijan.

The republic's first parliamentary elections with non-Communist candidates are due on September 30. But the opposition Popular Front says the state of emergency means that the poll will be unfair.

"What kind of democracy is this? How can you hold elections under the pressure of tanks and guns?" asked Mr Abulfaz Aliyev, the Front's chairman.

But even leaders of the Popular Front concede that the republic is not yet ready for full independence, partly because of its intricate economic ties with the rest of the Soviet Union.

"If we are told tomorrow: 'Okay, you can be independent', that would be very pleasant but serious problems would appear," says Mr Najaf Najafov, a Front leader who edits the Freedom weekly.

The Front, a loose coalition of dozens of pro-independence groups, was expected to win 70 per cent of the vote in free elections in March. But the elections were postponed after "Black January", when the Kremlin sent in troops and 170 people were killed.

The Soviet authorities said their move was to end pogroms against Armenians, but the opposition argued that President Mikhail Gorbachev declared the emergency to prop up the Communist Party when it became clear its power had all but collapsed.

The conflict between the two hostile republics - sparked by Armenian demands for unification with the largely Armenian-populated enclave of Nagorno-Karabakh - has given the Communist Party an excuse to keep Soviet troops in Azerbaijan.

Col Valery Bunyatov, commander of 3,000 Interior Ministry troops who run Baku together with the regular army, denied that the military would interfere with elections.

He said the troops, who operate a curfew from 1 am to 5 am and require advance notification for any public gathering of more than 100 people, had to guard against a secessionist coup.

"There will be meetings in cinemas where, say, five candidates will appear and voters will be able to choose between them on the spot," he said, sketching his own view of "orderly" democracy. The colonel himself is a Communist candidate in the election.

Outdoor rallies - a nightmare for the Communist Party, which remembers last year's huge Popular Front demonstrations in the squares of Baku - will not be allowed. A new electoral law means that Popular Front activists under investigation by the authorities, even if not charged, are banned from standing for parliament.

The Front nevertheless plans to work in the new parliament for gradual transition to independence, having decided that a boycott would only benefit the Communists. Communist leaders are, meanwhile, stealing the opposition's clothes by calling for political and economic sovereignty and denouncing Armenian "aggression" against Azerbaijan.

"An external threat makes it easier for the party apparatus to rule with the army," says Ms Leyla Yunusova, a leader of the Social Democratic Party, which recently left the Front.

Ms Yunusova adds that the opposition owes thanks to the army for shaking up Azerbaijan, a traditionally loyal republic which lost its brief independence to the Red Army in 1920.

If there are two things all Azerbaijanis agree on, those are their determination never to surrender Nagorno-Karabakh to Armenia and their feeling that the Kremlin has sided with Armenia throughout the conflict. Until the Armenian authori-

ties declared a state of emergency earlier this week, Azerbaijan was angrily demanding that the Kremlin take action to crush armed vigilantes in the neighbouring republic.

During the week, President Ayaz Mutalibov closed a key gas pipeline to Armenia in protest at attacks by Armenian guerrillas on the border.

Mr Hassan Hasanov, the Prime Minister, said that Azerbaijan could not conclude a union treaty with the Soviet Union until Moscow dealt with Armenian aggression.

The death of civilians, including children, when Soviet troops stormed the city - commemorated by an Alley of Martyrs just beside the Parliament building - reinforced pro-independence feelings.

"The January events marked the crossing of a Rubicon, a point of no return," says Mr Eldar Namazov, head of the politics department at Azerbaijan's Communist-dominated Academy of Sciences.

Mr Namazov believes, however, that the Kremlin is unlikely to let go of Azerbaijan



without a struggle. He says this is because of Azerbaijan's oil wealth and its strategic importance in guarding the Soviet Union's southern flank.

In the meantime, one thing is clear: the squabbling between Azerbaijanis and Armenians is in itself a serious brake on their drive to gain independence from Moscow. "If Nagorno-Karabakh helped the development of democratic movements in Armenia and Azerbaijan in the past, it is now blocking this development," says Mr Najafov.

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Bonn heeds US call for allies to share financial burden

By Lionel Barber in Washington

PRESIDENT George Bush's plan to spread the burden of sustaining US forces in the Gulf among his allies marks the next logical step in his strategy of using collective - rather than unilateral - action to squeeze Iraq.

West Germany yesterday became the first country to respond to the President's call. Government spokesman Mr. Dieter Vogel said Bonn would without question give its support, financial as well as material.

"We are part of this community working together and will behave accordingly," he said.

Mr Vogel said Mr James Baker, US Secretary of State, would visit West Germany next Wednesday or Thursday, and would probably discuss financial aid with Chancellor Helmut Kohl.

Bonn's constitution prevents it from contributing finance to military mobilisation.

Details remain sketchy but there is talk of raising \$23bn, half of which would support US forces in Saudi Arabia. Mr Bush has ordered his top two lieutenants, Mr James Baker, US Secretary of State, and Mr Nicholas Brady, US Treasury Secretary to go to Asia, the Middle East and Europe, probably at the end of next week.

Mr Brady is expected to concentrate on Japan and South Korea, while Mr Baker is likely to focus on Europe and the Middle East. While there is little disguising the "cap-in-hand" nature of the mission, both men are likely to press their hosts, particularly Japan, hard.

The burden-sharing strategy is borne of necessity. With the

US teetering on the brink of recession and staring at a \$500bn Federal budget deficit in the coming fiscal year, Mr Bush has grasped that he needs wealthy allies in Europe and Asia to share the cost of what could be a prolonged overseas engagement.

In this respect, Mrs Margaret Thatcher's speech in Helsinki, castigating Britain's European allies - France excepted - for failing to shoulder their defence responsibilities in the Gulf provoked private applause in Washington.

Mr Bush's reliance on joint international action also reflects his own domestic political constraints.

Pressing need to compensate front-line states hit by UN sanctions against Iraq

After meeting with more than 100 Congressmen this week, the President came away with a clear message: the public will not support an operation where the bulk of lives at risk are American, and where the bulk of the costs fall on US taxpayers.

Mr Bush has already sought to finesse this argument by seeking Arab military support for US forces in Saudi Arabia; but Congressmen continue to complain about inadequate allied ground forces to supplement the US presence in Saudi Arabia. (The complaint that requests for aid risk turning US forces into mercenaries may reflect fears that it could lead to constraints on future US military action; but for the

time being, these complaints appear isolated).

A far more pressing concern is the need to compensate "front-line" states hurt by the United Nations economic embargo against Iraq.

The most vulnerable countries are Egypt, Jordan, Turkey, the Philippines, Bangladesh, India, Pakistan, and some of the newly emerging democracies in Eastern Europe which are expected to be hit hard by higher oil prices.

Egypt is a top priority. Even before the Gulf crisis erupted, President Hosni Mubarak's government faced the prospect of defaulting on \$7.1bn in military debt to the US. With President Mubarak now occupying a key role in uniting moderate Arab states against Iraq, Pentagon planners have reportedly drawn up plans to seek Congressional approval to write off the debt.

An economically prostrate Egypt, said Mr William Quandt, a senior fellow at Brookings Institution, "cannot help support two primary US concerns in the Middle East: peace with Israel and stability in the Gulf."

However, other countries such as the Philippines and Turkey need assistance. For President Corason Aquino's heavily-indebted government in Manila, the crisis has deprived the country not only of oil but of vital hard currency. Turkey stands to lose in its trade with Iraq.

Jordan's position remains unclear, with the amount of assistance depending on how it fulfils its promise to observe



A catapult officer ducks under the wing of an F-14 Tomcat as it takes off from the aircraft carrier USS Independence

the embargo against Iraqi trade. Reports persist of food and other shipments leaving the port of Aden or crossing the Jordanian border.

Officials insist that there is no desire to "hit" countries for specific sums of money; the administration is more interested in long-term commitments from rich (and oil-dependent) countries such as Japan, South Korea and West Germany as well as wealthy oil

exporters such as Saudi Arabia, the United Arab Emirates and the exiled government of Kuwait.

Long-term thinking matters because the length and degree of US military commitment in the region remains unclear. A permanent US force in Saudi Arabia, for example, is perfectly conceivable should Mr Bush's Big Squeeze strategy fail to push President Saddam Hussein from power.

More immediately, it is clear that the Pentagon's initial cost estimates for the Gulf mission were wildly optimistic. This week, officials revealed that it will have cost \$2.5bn beyond normal military operating expenditures by September 30 (the end of the current fiscal year).

When the US dispatched naval forces to the Gulf to escort Kuwaiti oil tankers three years ago, the Reagan

administration pressed allies to contribute to the mission. The response came in dribsles, first with minesweepers and then with some economic assistance.

This time, the need is far more pressing. Mr Bush believes, with a passion, that no less than the shape of the post-Cold War world is at stake. If burden-sharing fails, so too will US efforts to make collective security work.

Jordan may be gathering intelligence for Iraq

By Judy Maltz in Jerusalem

ISRAELI intelligence has observed several Jordanian reconnaissance planes flying along the Saudi Arabian border this week, believed to be gathering information for Iraq on the deployment of forces in the area, a military official said yesterday.

"There is no reason for this except to help Iraq gather intelligence," he said yesterday giving Israel's assessment of developments in the Gulf crisis. The official said the flights were further indication that Jordan had not wavered from its firm support for Iraq in the conflict.

In addition to flying US-built F-5 fighters over Saudi Arabia, the official said, the Jordanians had also stepped up reconnaissance flights along Israel's border.

According to Israel's military assessment, Iraq is trying to buy time and avert a military confrontation with the US.

"They believe that as time passes, it will be harder for the Americans to hold together a 'solid front'. By holding out for a political solution, they also believe it will be much harder for President George Bush to strike them," the official said.

It is unlikely that Iraq will initiate an attack against Israel right now, he said. "But if they get into a military confrontation with the US, out of desperation, it is quite possible they will make a move against us."

An attack on Saudi Arabia would cost Iraq dearly, the head of US forces in the Gulf said yesterday, Reuters reports from Baghdad.

If the Iraqis are dumb enough to attack at this time they will pay a terrible price for it," General Norman Schwarzkopf said.

The general, speaking for the first time since he moved his headquarters to the Gulf, said the balance of forces was swinging in his favour as more and more US troops and equipment came in.

Ankara says UN trade embargo has already cost Turkey \$2.5bn

THE COST to Turkey of implementing the UN sanctions in the Gulf has already amounted to about \$2.5bn (\$1.3bn), according to government officials, reports Jim Bodger from Hapur in south eastern Turkey. But this figure could increase considerably should hostilities break out.

Turkey would suffer most from an inflated oil bill. The impact has been estimated on the current account this year at about \$500m,

and is expected to be \$1bn next year if sanctions continue.

Alternative supplies already lined up for lost Iraqi crude this year, are to come mainly from Saudi Arabia and the United Arab Emirates. Each will supply 5m tonnes for the remainder of the year. Next year Saudi Arabia is to supply 5.5m tonnes.

Turkey had already lifted about 5.5m tonnes of the 7.5m tonnes agreed this year from Iraq via

its twin oil export pipelines running through Turkey's territory.

On the basis of last year's exports to Iraq of \$450m roughly projected again this year, in direct sales the losses may amount to around \$200m. Exposure through shipments in transit and frozen letters of credit will probably work out at \$50m-\$100m.

Imports from Iraq were mainly oil

barrels, shipped paying off outstanding trade arrears of which around \$750m remained to be met by 1991. Outstanding debt is about \$170m owing to Kuwaiti banks participating in syndications which Turkey will continue to service.

Also foregone is up to \$200m in transit trade revenues this year, including royalties for crude transit through the pipelines, and for freight and refined products carried by lorries on the ancient Silk Road in Turkey's South East that became a lifeline for Iraq during the Gulf War.

How many tourists have stayed away is as yet unclear. Indeterminate as well are losses from around \$2.5bn worth of construction projects being built by Turkish companies in Iraq. The Turkish Contractors Association has said losses total around \$768m in payments and performance bonds. Internally, the economic cost will be most visible in continuing high inflation of around 60 per cent if not more to the end of

1990, say economists. Fuel prices in two rises have already increased by around 23 per cent. A larger budget deficit this year seems likely.

The Turkish economy which had seemed set for a 10 per cent growth rebound on a stagnant 1.7 per cent last year can sustain the immediate impact, say economists. Compared with drought last year the harvest is ample, and industry has picked up steadily on the back of a surge in demand for consumer durables.

NEWS IN BRIEF

Arab League meeting draws up five-point peace blueprint

ARAB LEADERS opposed to Iraqi leader Saddam Hussein yesterday demanded he pull his troops out of Kuwait and pay war damages as conditions for a peace settlement of the Gulf crisis, Reuters reports from Cairo.

An Arab League foreign ministers' meeting decided on a five-point blueprint as a basis for peace.

The ministers repeated the League's demand for an immediate and unconditional withdrawal of Iraqi troops from Kuwait, overrun by President Saddam Hussein's army on August 2.

The blueprint was adopted by foreign ministers at a meeting in Cairo attended by only 12 of the Arab League's 21 members. They demanded immediate release of hostages held by Iraq, with no link between any resolution of the Gulf crisis and westerners being detained in Iraq and Kuwait. The safety of Arab labourers should also be guaranteed, they said.

Thatcher meets King Hussein

Mrs Margaret Thatcher, the British Prime Minister, met King Hussein of Jordan yesterday for talks which left the two no closer in their analysis of the Gulf crisis, Alison Smith writes.

Downing Street said that while they both agreed on the need for Iraq to withdraw "quite far apart in their assessment of the causes of the dispute and ways to resolve it". King Hussein opposes US intervention in the Gulf.

King Hussein said that he had not put his "peace plan" to Mrs Thatcher, though he had been expected to seek her support for it at the start of his tour of western countries. Mrs Thatcher reiterated that the United Nations resolutions were non-negotiable and that sanctions must be rigorously applied.

Damascus accuses Jordan

In a sign of the deepening rift between Arab governments, Damascus has strongly criticised Jordan, accusing it of leaking false reports about protests against the Syrian policy in the Gulf, Lamis Andoni and Hugh Carnegie report from Amman.

Although the Syrian officials did not mention Jordan by name the message was clear especially as the statement said that Damascus was disconcerted with a neighbouring Arab country which aimed at undermining Arab solidarity.

In a report from Amman on Wednesday the Associated Press quoted diplomats and security officials as saying that Syrian security forces had quelled pro-Iraqi riots. The reports could not be confirmed but a number of Arabs who have arrived here from Damascus recently said that demonstrations had taken place in several Syrian cities.

Kaufman calls for reparations

Mr Gerald Kaufman, the shadow foreign secretary, said yesterday that the United Nations would have to consider what reparations Iraq should pay both to Kuwait and to other nations and individuals affected, Alison Smith reports.

He said also that as soon as Iraq had been forced out of Kuwait, the UN Security Council should prepare for an international conference on the Middle East.

"The present Gulf crisis has demonstrated how frighteningly easily the Middle East powder-keg is capable of exploding into a world conflict," he said. "We must act while there is still time."

Benn launches peace campaign

A campaign aimed at avoiding a Gulf war was launched yesterday by politicians and peace activists including Mr Tony Benn MP, the former Labour cabinet minister.

The Committee to Stop War in the Gulf backed UN sanctions and condemned the Iraqi invasion of Kuwait, but also condemned Britain and the United States for refusing to rule out possible military action not sanctioned by the UN.

Mr Benn said that he expected at least 30 MPs to support the campaign's aims when Parliament meets for an emergency debate next week.

IEA optimistic on oil supply outlook

By Steven Butler in Paris

THE International Energy Agency yesterday declared oil markets well supplied and decided against immediate measures to counteract the loss of Kuwaiti and Iraqi oil exports of 4.5m barrels a day.

But the IEA, responsible for co-ordinating emergency responses to an oil shortfall for 21 industrialised countries, said it was ready to respond if the situation deteriorated.

"We are prepared and able to act if the need arises," said Mrs Helga Steeg, IEA executive director, after a meeting of the IEA governing board.

She rejected suggestions that the IEA should intervene to calm markets by releasing strategic stocks, arguing this could undermine IEA credibility if done prematurely.

Mr Ulrich Engelmann, chairman of the governing board, said: "In global terms, the situation is calm."

Following a decision by the Organisation of Petroleum Exporting Countries this week to increase production, the IEA expects no crude oil supply difficulties in September or October. But it cautioned that the onset of winter would bring tighter supplies, as the ability of oil companies to draw on stocks declines.

Mrs Steeg said companies

had co-operated so far by drawing on stocks in August at a rate of 300,000 b/d. She said the companies' stock draw would be "substantially higher" in September and October.

The IEA expects tighter markets in some refined products, but said it was too early to assess how serious this would be. Although the IEA stressed its readiness to act by encouraging demand restraint or releasing strategic stocks, it said the situation was too complex to outline situations that would trigger a response.

Mrs Steeg rejected a view expressed by some US officials that strategic stocks would be used only when fuel could not be obtained regardless of price. France yesterday said it would begin negotiations to join the IEA. France stayed out of the IEA when it was set up in 1974 because it was seen as a weapon to break Opec.

British Petroleum yesterday rounded off a week of price increases by other UK oil companies by adding 5.4p to a gallon of petrol, taking the price at the pump for its leaded petrol to 224.1p, writes David Thomas, Resources Editor. The RAC motoring organisation said it had asked the European Commission to investigate the latest round of price rises.

Yemen halts exports to meet local needs

YEMEN, hit by the cutting off of oil supplies from Iraq, has declared force majeure on its own crude oil exports in September, Reuters reports from Sanaa. In addition, oil ministry officials said it would not export any crude in October and possibly November.

The volume affected will total about 100,000 barrels a day, Yemen's 51 per cent share of the country's total production. The rest belongs to its partner, Hunt Oil of the US, whose share will not be affected, officials said.

"The Yemeni government has taken temporary measures by not exporting crude oil during the next two to three months to meet domestic requirements," an official said.

Yemen has been facing a supply problem since the UN trade embargo halted all Iraqi crude oil exports.

Sanaa and Baghdad are linked in a long-term deal to process about 30,000 b/d of Iraqi crude at the Aden refinery.

Meanwhile, Saudi Arabian output may soon reach 7m b/d following an increase in its output by 350,000 b/d to 5.8m b/d in August. Other Opec members also reportedly boosted their output in August to make up for some of the production lost from Iraq and Kuwait - Venezuela by 150,000 b/d and Iran by 200,000 b/d.

India plans to send food and medicines to Kuwait

By David Housego in New Delhi

THE INDIAN government, in what is bound to be seen as a gesture of support for Iraq and a testing of sanctions, has told western governments that it plans to send a ship to Kuwait with 10,000 tonnes of food and medicines.

Indian officials describe the planned shipment as a "humanitarian" measure primarily intended to help the more than 200,000 Indians stranded in Kuwait and Iraq.

But they do not rule out that the goods might reach other nationalities - including Iraqis - if their situation is also critical.

The officials say that any refusal by the UN sanctions committee to allow the ship passage through the Gulf would be viewed seriously by the Indian government. "We are not going to let them (Indians) die simply because UN sanctions don't allow" supplies into Iraq, an official said.

India has avoided a firm denunciation of Iraq's annexation of Kuwait and closed its embassy in Kuwait three days before the Iraqi deadline - while insisting that this did not amount to recognition of Kuwait's annexation.

Officials concede that among possible Indian responses to a refusal from the Security

Council sanctions committee could be an Indian decision to go ahead with the mission and widely publicise it. This would embarrassingly put the onus on western governments of preventing food and medicine reaching people who are said to be facing acute shortages.

The Indian move comes in the wake of abortive attempts by the Indian government to get US backing for Iraqi deliveries of crude oil to India to be exempted from sanctions.

It also comes at a time when the Far Eastern Economic Review has alleged in its current issue that Indian companies have made deliveries in recent months of chemicals to Iraq which could be used as precursors for chemical weapons - thus enabling them to be handled safely. The allegations have been denied by the Indian Foreign Office.

The major western embassies in New Delhi were told on Thursday morning of Indian plans to send food and medicines to Kuwait. They reacted coldly, arguing that there was no evidence of real hardship in Kuwait and that such a move would run counter to the sanctions policy. They were uncertain whether they were being consulted about Indian plans or informed.

Indian officials say that the sanctions resolutions permit shipments of foodstuffs for humanitarian reasons and that the population in Kuwait could shortly face starvation.

Michael Littlejohns, UN Correspondent in New York, adds: At the United Nations, where the Security Council sanctions committee held a further private meeting yesterday to review the effectiveness of the embargo, a spokesman for the Indian delegation said that no request for permission to send food and medicines to Kuwait had yet been submitted.

The official said the matter might still be under consideration in New Delhi.

Asked about the committee's likely response to such a request, a western member observed that India had already sought UN relief from the economic consequences of implementing sanctions. "It looks like a case of wanting your cake and eating it," the diplomat said.

He confirmed that no evidence had been produced that convinced UN authorities there was a shortage of food and medicines in Kuwait that could justify relaxing sanctions on humanitarian grounds at this time.

Saddam tries to halt damage in propaganda war

Jimmy Burns looks at the press and compares Baghdad and London efforts to win hearts and minds

ON AUGUST 23, Mr John Simpson, the BBC's foreign

affairs editor, became the first British journalist since the Iraqi invasion of Kuwait to begin reporting from Baghdad.

He was soon followed by other British journalists, so that yesterday several national newspapers and the major TV channels had correspondents posted in the Iraqi capital.

It has taken the Iraqi government more than three weeks to gain a better understanding of the potential of propaganda in times of conflict, although its efforts to convince British public opinion of the legitimacy of its struggle have produced few dividends.

While no British journalist was allowed into Baghdad, the British media was forced into assuming the worst and weaving the second-hand reports emanating from escaping expatriates into a mono-thematic view of a complex internal situation. Some of the expatriates over the last two weeks have been the first to criticise some of the exaggerations of much of this reporting.

The Iraqi government

appears to have been forced to conclude last week that in propaganda terms it had more to lose in keeping British journalists out of Baghdad than in allowing them in.

But Iraq's calculation that a degree of bureaucratic largesse combined with a discreet involvement of Government "minders" would be sufficient to turn the British media in its favour has been proved wrong.

Mr Simpson himself, who gained some experience of these tactics in Buenos Aires during the Falklands War, has made a point of reminding viewers of the restrictions under which his reports are compiled. On Wednesday both he and his colleague on ITN made much of the fact that anti-Iraqi comments made by some expatriates had been censored by the authorities.

Journalists working for British newspapers have similarly striven to steer clear from the more blatant aspects of Iraqi propaganda.

"Far from Baghdad being the city of stoic normality the Iraqi regime would like the newly invited world media to convey



The popular British press has portrayed the Gulf crisis with a predictable mix of jingoism and xenophobia

in its reports," commented Mr Christopher Walker of The Times from Baghdad this week, "the mood is one of bitter desperation among Westerners and growing resignation to the possibility of protracted modern warfare among the Iraqis."

By contrast, the British government machinery appears to have achieved a rather more harmonious working relation-

ship with the British media. The protracted nature of the Gulf crisis and the limited nature so far of Britain's military involvement has made it easier for the Ministry of Defence to organise its "pools" of correspondents without resorting to excessive obstruction or misinformation, as occurred during the Falklands war.

Nor has British journalism

found itself entirely at the mercy of the MoD for its coverage of the British side of the crisis although things could change if and when the shooting war begins.

The Foreign Office has been prominent in providing regular briefings, and Mr Douglas Hurd, the UK Foreign Secretary, has been judged by most British journalists to have put on an altogether rather more convincing performance than any Iraqi official.

Tensions have been, and these could well increase as the crisis continues in its current state of relative impasse. Journalists in Saudi Arabia have complained about the restrictions placed on their coverage of British air force and naval manoeuvres.

"Compared to the facilities provided by the Americans, it has been absolutely hopeless," commented Mr John Mahoney, the BBC TV's foreign news editor, yesterday.

The Guardian, which has always prided itself in its independence has been obstructed by the Iraqis from getting their correspondent to Baghdad. But

yesterday one senior staffer noted with a similar degree of chagrin the way the MoD proved reluctant to provide one of its correspondents in Saudi Arabia with advice on the use of protective clothing.

Rather happier has been representatives of the "tabloid press", who with their predictable mix of jingoism and xenophobia have taken to the Gulf crisis like ducks to water.

The Sun set the tone on August 4 with its "expose" of Saddam Hussein as a "power crazed tyrant...a Führer freak who models himself on Adolf Hitler" and its messages of support to "our boys." The Daily Star offered a prize on August 29 to the reader who could change the lyrics of his or her favourite song into an anti-Iraq jingle.

But a senior TV editor yesterday had one lingering lament: his failure to get a first hand correspondent's report from Kuwait. Only the FT, alone among British newspapers, managed that on the day of the invasion although its correspondent has since escaped.

UK NEWS

Banks call new talks on Eurotunnel cash crisis

By Andrew Taylor, Construction Correspondent

EUROTUNNEL'S bankers, which are still £700m short of their target of £2bn to refinance the troubled Channel tunnel project, are to meet in London on Wednesday in a further attempt to resolve the crisis.

The Channel tunnel group, led by Mr Alistair Morton, chief executive, must decide in the next few weeks whether to proceed with a £500m rights issue this autumn. The issue which is underwritten will not go ahead unless the banks reach agreement over the loan package.

Next week's meeting is between the 22 banks leading the syndicate of 210 international banks which negotiated £5bn of loans to the Channel tunnel project in 1987.

The cost of the project since then has risen from £4.5bn to more than £7.5bn. This means the original loans and equity raised by Eurotunnel are no longer sufficient to complete the work.

Under the terms of its agreement with the banks, Eurotunnel cannot draw further funds from the original loan without the banks' permission.

The banking agreement prohibits it from making further withdrawals unless there is sufficient finance available to complete the project.



Alistair Morton: decision shortly on rights issue

So far, the banks have allowed Eurotunnel to continue to draw on the loan. The group has enough finance to take it to the end of this month but it will then need to seek the banks' permission to make a further drawdown.

Eurotunnel has spent about a third of the £5bn raised from the banks.

The shortfall on the £2bn of additional bank loans which Eurotunnel says it will need to complete the project has come down during the last few weeks from £900m to about £700m.

The options facing the banks are:

- To refuse any further loans and force the project to stop. This is regarded by the majority of banks as unlikely given the strong political support for the project and the fact that tunneling is two thirds complete.
- Persuade the outstanding banks to support the refinancing.
- Persuade other members of the syndicate to increase their contribution to make up the shortfall.

Allow Eurotunnel to continue to draw the original loans and delay the refinancing until the financial climate improves. The original loan is sufficient to take the project to the middle of 1992 by which time construction would be completed and commissioning of the railway system under way.

Lucy Kellaway in Brussels writes: Mr Karel Van Miert, the European Community transport commissioner has offered Eurotunnel assistance with financing arrangements using the steel industry's loan guarantee fund.

Eurotunnel and the bankers, however, doubt whether the offer would resolve the problem of the shortfall.

Merseyside Fraud Squad in dawn raid

By Martin Regan

DETECTIVES from the Merseyside Fraud Squad yesterday arrested 11 people, believed to include former senior officers of St Helens Borough Council and at least one councillor.

Police said last night that the 11 had been released. No charges had been brought and a report was being sent to the Director of Public Prosecutions.

Police said the arrests, in a series of dawn raids in Lancashire and Merseyside, represented the first stage of a big investigation into

alleged corruption within the council.

The operation, codenamed Endeavour, involved up to 45 detectives and followed allegations concerning land and property deals.

Det Chief Inspector Mike Culverhouse, who led the raid, said it was "the first stage of an ongoing investigation."

The council called in the police earlier this year, following complaints from the public. It issued a statement yesterday offering full co-operation.

The affair is likely to cause intense speculation in the borough where the council, with almost 9,000 staff, is the largest employer. Pilkington and British Coal are the other big employers.

Many of the borough's 187,000 people will see the allegations as a further chapter in the town's turbulent political history. The Labour-controlled council has tried to distance itself from nearby Liverpool, not always successfully.

More than a decade of political infighting within the district Labour Party has led to its indefinite suspension by the national party. The two con-

stituency Labour Parties have also been suspended. Earlier this year, six councillors ignored the party whip and overturned a decision by the full Labour group. They were suspended by the party.

In spite of the political turbulence, the council has achieved some success in urban regeneration. A partnership with Pilkington Glass and other private-sector employers has revitalised the town centre. This initiative has been praised by Mrs Thatcher, and there is no suggestion that it is involved in the investigation.

Scots Tories urged to face devolution issue

By James Buxton, Scottish Correspondent

SCOTTISH Tories have been urged to discuss the issue of devolution for Scotland if they are to avoid a constitutional crisis after the next general election, in spite of devolution being officially rejected as party policy.

The call comes in a new magazine published by the Scottish Tory Reform Group, which in August strongly criticised the right-wing stance of Mr Michael Forsyth, Scottish Office minister, who is the party's chairman in Scotland.

The appeal follows an opinion poll which suggested that right-wing policies pursued by

the Tories since 1987 in Scotland, including the refusal to discuss devolution, not only have little support among Scottish electors but are rejected by a majority of Conservatives.

Last month's row erupted following the resignation of Mr Douglas Young, the most senior official appointed by Mr Forsyth, from the Conservative central office in Edinburgh.

Many of the wounds of that clash have yet to be healed. Mrs Margaret Thatcher was to meet senior Scottish party figures next week but this is likely to be cancelled because of Parliament's recall.

Mr John Young, a Glasgow councillor, says in the magazine True Blue that the party should examine devolution to protect the union of the United Kingdom. He says that if the party does not take part in the constitutional debate, and "if by some mischance the results of the next general election are disastrous for us in Scotland," there will be a constitutional crisis by the year 2,000. Independence could come suddenly, he says.

In the opinion poll conducted for The Scotsman newspaper by ICM, 80 per cent of Scots and 64 per cent of Tories ques-

tioned said the Government should hold talks with those interested in setting up a devolved Scottish assembly. The Scottish Tory party rejected devolution at its conference in 1988.

Some 56 per cent of Conservatives believed the party was "mainly an English party with little relevance to Scotland," a view held by 79 per cent of all those polled.

Support for the Tories in Scotland stands at 22 per cent - two points less than the share of the vote they won in 1987 when the party lost 11 of its 21 seats.

Mr Broderick Munro-Wilson

IN OUR issue of August 3 we published an article in which we referred to £5m owed by organisations linked to Mr Broderick Munro-Wilson to British & Commonwealth Merchant Bank, the merchant banking subsidiary of British & Commonwealth Holdings.

We have been asked to make clear that the money concerned was lent by the bank to Munro-Wilson family trusts and not to Mr Broderick Munro-Wilson personally or any of the Munro Group companies.

Our article was also incorrect in suggesting that companies in this group were under investigation at that time by any fraud squad. We apologise to Mr Munro-Wilson for this error, and for any embarrassment or distress which our article may have caused.

INTERNATIONAL PROPERTY ADVERTISING appears every Saturday in the Weekend FT. For more information call Lourdez Bellis on 071-873 4839

Commercials that give musicians an extra break

Alice Rawsthorn on how TV advertisements can revive faded hits and put them back in the charts

A FEW WEEKS ago the Steve Miller Band was one of the US rock groups that were still successful in their own country but had faded into obscurity in the UK. Today, the band is back in the British charts with The Joker - a single first released 17 years ago.

The band owes its renaissance to the latest television commercial for Levi Strauss jeans. The commercial features a leather-clad biker who roars into a Wall Street dealing room on his Harley Davidson machine and roars away with his bearded girlfriend to the strains of The Joker.

Steve Miller is the latest in a long line of rock stars to have been catapulted back into the charts after their music was used in advertising.

It happened to Marvin Gaye when I Heard It On The Grapevine was used in another Levi commercial and to The Hollies when He Ain't Heavy He's My Brother appeared in an advertisement for Miller Lite beer.

The advertising music market is now a lucrative business not only for musicians and record companies but also for the cottage industry of selectors, composers, arrangers and libraries that supply music to the advertising industry.

Advertising agencies sometimes select the music themselves. At Bartle Bogle Hegarty, the agency behind the



Commercial renaissance: Steve Miller (right) has found new recognition with Levi's latest television advertisement

Levi commercials, the creative teams that dream up the ads usually choose the music.

Other agencies turn to specialist selection consultancies to help them choose suitable songs. Songseekers International stores details of 40,000 pieces on its computer.

If an agency wants a 1980s song with red in the title, Songseekers produces a list of

all the possibilities. It can then negotiate the rights to the music with the publisher or the record company.

The cost of the music varies enormously. Classical music tends to be cheapest, if only because copyright runs out 50 years after the composer's death. For all other music, the agency must pay a fee to the publisher. If the agency uses

the original recording it also pays the record company.

Costs also vary according to which countries the advertisement will appear in, how long it will run for and which of the media will be used. It costs £25,000 to £75,000 for a British ad and £75,000 to £200,000 for one across Europe.

Some music is never used in advertising. The Beatles' songs

fell into this category until recently when Michael Jackson bought the rights. The songs are now available but only for big campaigns and for a minimum fee of £250,000.

Cole Porter and Irving Berlin never permitted their music to be used in advertising. Nor do Stock Aitken and Waterman: the team behind Jason Donovan and Kylie Minogue.

Other composers have tried unsuccessfully to stop their music being used. Sting recently sued his publisher when it sold Don't Stand Too Close To Me for use in a deodorant ad. He lost his case.

Alternatively, agencies can buy an "off-the-shelf" tape from a music library and pay a small copyright fee or they can commission original music. Sometimes they approach individual composers.

More often they work with specialist companies such as the Jeff Wayne Music Group, which employs 12 composers and arrangers. Again the cost varies widely. A piece for a 30-second commercial costs between £300 and £1,000. However, it can cost anything up to £20,000 for an original piece from a successful new composer.

The market for advertising music expanded rapidly in the 1980s, although the business of negotiating rights has become increasingly sophisticated. Thorn-EMI, one of the biggest publishers, has set up a special division to deal with it.

So far, the market seems to have been unaffected by the downturn in the advertising industry. Selectors and composers say business has been a little slower this summer but agencies are still prepared to fight - and to pay high prices - for the music they think they really want.

OFT warns consumers over advance payments

By Raymond Snoddy

THE Office of Fair Trading yesterday warned consumers of the risks of paying in advance for goods or services: if the shop or company went out of business, customers could get little or nothing in return.

It said: "Even reputable firms could run into trouble and there might be no warning of a collapse." Its statement did not refer directly to the recent collapse of Lowndes Queensway, Britain's second largest furniture and carpet retailer. More than 45,000 people have money tied up in orders from the group's stores.

OFT suggested:

- People should not pay any money in advance unless they had to, in which case they should try to persuade the trader to accept a smaller sum.

● If the deposit was more than £100 for a single item, consumers should consider paying by credit card because it was possible the money could be claimed back from the credit card company if the trader went out of business.

● Consumers should deal with businesses which belonged to a trade association offering a protection scheme.

● Building work should not be paid for in advance but in stages.

Change in mobile phone pricing

By Hugo Dixon

A PROVIDER of cellular telephone services, which blames a "totally illogical" pricing structure for the financial problems of many service providers, is introducing what it says is a more realistic pricing structure.

Metro Cellular, based in Manchester and London, is increasing the initial cost to users by up to 30 per cent while cutting call charges by 15 per cent.

At the moment cellular service providers, which act as resellers for the Vodafone and Cellnet networks, lose money on selling cellular telephones but expect to recoup it through large profit margins on the calls made. They usually

receive about 20 per cent of all call revenue from the network operators.

Metro's changes are aimed at making a smaller margin on the calls but breaking even on sales.

Mr Michael Goldstone, Metro's chairman, blamed the current pricing structure for the bad debts which have hit many cellular service providers. The network operators, however, continue to make healthy profits.

Mr Goldstone said that service providers attracted customers with artificially low prices for telephones only to find that many of them could not pay for their calls.

Cellular telephone users cur-

rently pay 25p a minute if they are outside London or 33p a minute inside London.

Metro's discounts will mean new customers will pay 21p a minute outside London and 28p inside but they will have to pay about £50 for a portable telephone, up from £350. Existing customers will be able to use the lower tariffs by paying a £150 "conversion fee."

Mr Goldstone said the new pricing structure would be attractive for heavy users of cellular telephones who spent more than £40 a month on calls. He argued that the new pricing structure would deter bad debtors because they would have to pay out a large lump sum in advance.

NEWS IN BRIEF

Vet warns of organic farm risks

LIVESTOCK reared by organic methods face the risk of disease because of farmers' unwillingness to use vaccines, a leading vet claimed yesterday.

Professor James Armour told the British Veterinary Association's annual congress in London: "We are subjected to a constant barrage of criticism that modern farming methods result in an excessive use of drugs to control diseases precipitated by bad husbandry and hygiene."

"It is claimed that a return to the good life of organic farming and lower livestock rates will remove public fears, but these predictions fail to take into account the possible welfare problems, particularly in relation to disease."

Professor Armour, dean of Glasgow University's veterinary medical faculty, said: "I am told production levels in the best organic farms are as high as in many conventional farms, but I would like to see the evidence that they can maintain animals under the highest welfare conditions. Disease is the single biggest welfare problem facing animals."

Securities trial

TWO OF THREE men accused of conspiring to handle securities worth £77m were committed for trial yesterday by City of London magistrates.

Thomas Anthony Coyle, 40, a businessman; his brother-in-law, Anthony Rooney, 49, a horse trainer; and Edward Anthony Dunne, 39, also a horse trainer, are charged with conspiring to handle stolen goods on or before May 23 - namely Treasury bills and certificates of deposit. Their potential loss if misused is £77.3m. All three men are from the Republic of Ireland.

At a previous hearing, Mr Richard Curtis of the Fraud Investigation Inquiry Group said the 80 certificates concerned were among 301 securities stolen at knife-point from a money brokers' messenger in the City on May 2.

The case against Dunne was discontinued and Coyle and Rooney were committed for trial in the central criminal court in custody.

Mail-order probe

THE DIRECTOR of a mail-order company and three other defendants have been sent for trial on bail at Knightsbridge Crown Court by Walls Street Magistrates Court, accused of conspiring to defraud the Abbey National Building Society and Lloyds Bank.

They are: the director Alexander Scott, 47, of 30 Portman Close, Bexley, Kent; Michael Hanratty, 38, a warehouseman, of 24 Inverness Road, Woolwich; Bridget Perry, 34, a supervisor, of 7 Frigate Mews, Watergate Street, Deptford; and Sarah Denny, 34, a driver, of 2 Chestnut House, Brockley.

All four are charged with conspiring to defraud the building society and bank by failing to secure deliveries of quantities of mail and correspondence between June 1 and July 2 1989.

ITC appointment

MR DAVID WADDINGTON, the Home Secretary, yesterday appointed the Earl of Dalkeith and Mrs Pauline Mathias to the Independent Television Commission, the body which will replace the Independent Broadcasting Authority.

The Earl of Dalkeith will be the IBA's national member for Scotland until the body is wound up at the end of this year. On the ITC, he will have special regard to the concerns of Scotland.

Mrs Mathias, the headmistress of More House School in London, is already a member of the IBA.

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Leyland DAF to launch truck range into slow market

By John Griffiths

LEYLAND DAF is poised to launch a revised range of heavy trucks - including a replacement for the former Leyland flagship model, the Roadtrain - into the most depressed UK market for more than a decade.

Senior executives at the British subsidiary of DAF, the Dutch truck maker, said yesterday that total UK truck sales in August, the industry's biggest sales month, were more than 32 per cent down on the same month last year. That continued a recession which has lasted nearly a year and appears to be worsening.

"We just don't see any relief in sight," said Mr Christopher Thornycroft-Smith, Leyland DAF's marketing director. He said sales this year of trucks weighing more than 3.5 tonnes may only just reach 50,000, compared with 69,234 last year.

Leyland DAF, the result of a merger between DAF and the former UK state-owned Leyland Vehicles in 1987, hopes the revised truck range will strengthen its lead in the UK



80 Series tractor unit replacing the 10-year-old Roadtrain

market for trucks weighing more than 15 tonnes.

The 10-year-old Roadtrain is being replaced by the 80 Series tractor unit. It uses an 11.6-litre Dutch-built DAF engine instead of the Cummins and Perkins engines used in the

Roadtrain for the past 18 months since Leyland stopped making its own Roadtrain engines.

The 80 Series and other revised ranges, including the Euromaster, a vehicle for trans-European haulage, will

make their formal debut at the International motor show in Birmingham in two weeks' time.

Iveco Ford, Leyland DAF's main rival, decided in July to withdraw from the show saying that it would spend the funds on measures to boost sales.

Mr Thornycroft-Smith said the market recession could be worse than the one in 1980 - when unit sales also fell by about 20,000 units - because the UK's current truck population is much newer than at the time of the 1980 recession and there is therefore little pressure on operators to replace fleets.

Mr Rod England, marketing director of independent truck producer ERF, said the fierce struggle for sales meant that some manufacturers were offering operators an initial 20 per cent discount "then a further £9,000-£10,000 off that. On a £50,000 truck, you're talking about giving them away at cost or less, just to try and become market leader."

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Phoney war
in the Gulf

JUDGED BY its economic, rather than its political, impact, the crisis in the Gulf is, by the standards of its two predecessors, almost a non-event. Things might be quite different, if it were to come to shooting. In that eventuality, a shock comparable to that following the Iranian Revolution and the Iran-Iraq war would not be out of the question.

There are three reasons why the global impact of the present stalemate should be relatively modest. First, the price rise itself is small: the first oil shock saw oil prices rise by 200 per cent within four months; the second shock saw prices rise by more than 200 per cent over two years; but so far this time prices have risen by only 60 per cent. What is more, in real terms prices are still only two-thirds of their level at the end of 1989 and less than half their level in 1980.

Second, the energy intensity of economic activity has fallen considerably in the OECD countries. Consumption of oil as a proportion of gross domestic product has fallen by 27 per cent between 1980 and 1989.

Third, the underlying condition of the OECD economies is better than the last two times. At 6 per cent in the OECD countries, consumer price inflation compares rather favourably with the 9 per cent recorded before the two previous shocks. Furthermore, 1973-74 witnessed the culmination of a synchronised global expansion and the late 1970s a poorly-timed endeavour at the global Keynesianism. The world economy is better balanced today, with the Anglo-Saxon economies slowing down, but the rest of western Europe and Japan growing satisfactorily.

Financial fragility

So far then this is just a feeble echo of past shocks. It will merely accelerate existing - sometimes uncertain - tendencies. Higher oil prices will probably push the US into stagflation. Japan's astoundingly overvalued asset markets started to show fatigue last spring; the crisis in the Gulf has ended hope of recovery, with the Nikkei index one-third lower than at the start of the year. The UK already faces the immediate prospect of high inflation with low growth. Now it faces one of higher inflation with lower growth.

Financial fragility is the obvious general concern. The long expansion of the 1980s has left institutions exposed to a great deal of bad new debt, on top of what remains of the bad debt prospects for highly indebted oil exporting countries, like Mexico, Nigeria or

Venezuela have improved. But this will not compensate for the deterioration in the position of oil-importing developing countries.

Meanwhile property portfolios and highly indebted corporate borrowers look sicker than before, partly because the outlook for interest rates is worse. Higher inflation will be unavoidable in the short term, but some loss of real output can also hardly be avoided. Wage earners have suffered a reduction in their real incomes that they must absorb if a wage-price spiral is to be avoided. Monetary policy cannot, therefore, fully accommodate the higher inflation.

Higher inflation

The increase in the Japanese discount rate, to 6 per cent, is unlikely to be the last. The Bundesbank is always likely to be among the first to react to higher inflation. Meanwhile, interest rates in the US may not fall as rapidly as they would otherwise have done, especially given the weakness of the dollar. In the UK, by contrast, the return of petrodollars is always likely to be a factor in the Chancellor's decision to enter the exchange rate mechanism of the European Monetary System and take his hoped for bonus of lower rates of interest.

If the world economy is now more fragile, the difference is not large. The moment the shooting starts, this ceases to be true. A war could damage oil facilities throughout the Gulf. Panic accumulation of oil stocks would be probable, with oil prices shooting up to \$50 or more, the real levels of 10 years ago.

Official stocks of oil would then have to be used aggressively, but this will not preclude what would become a considerable economic disturbance. For developing countries and for many in industrial countries as well, the results would be painful. Unhappily, war is not unlikely. The West must obtain unconditional Iraqi withdrawal from Kuwait. The loss of credibility would, otherwise, be too grave. Saddam Hussein, for his part, can hardly give the West what it wants without risking something he must value above mere credibility. The crisis may yet be resolved peacefully, but only the purlieu could assume it.

The present stalemate does, indeed, look economically manageable. But the embargo alone may prove insufficient for achievement of the least of the western objectives. If so, this could, in retrospect, be a phoney war, with the real one still to come.

The age of 'teleplomacy' dawns

This was the week when the Gulf crisis moved out of the desert and into the skies, when the White House began to worry about the risks of losing the war against President Saddam Hussein of Iraq.

Thanks to TV communications satellites, Americans have seen more of Mr Saddam in the past seven days than they have of their own President. Taped sessions of the Iraqi leader playing host to foreign hostages have received a regular, generous airing: on Wednesday night, CBS carried Mr Dan Rather's hour-long interview with Mr Saddam at prime time, boosted by an extra half-hour of commentary and analysis.

Welcome to what Mr Tom Shales, TV critic of the Washington Post, calls the age of "teleplomacy", where war is waged through words and images, and where Mr Saddam, the man likened by President Bush to Adolf Hitler, can discard conventional diplomacy and present his case direct to the American public.

The Iraqi President's offer to engage President Bush and Prime Minister Margaret Thatcher in a televised debate before a world audience is teleplomacy taken to its logical, if absurd, conclusion. It may be the last desperate act of a cornered aggressor; but the networks judged it serious enough to risk breaking into their regular afternoon schedules.

In the US, where the power of television in a mass culture has long been revered, Mr Saddam's "charm offensive" has been greeted with a mixture of ridicule, disgust, and, ultimately, some soul-searching among those in the TV business. In spite of the transparent propaganda in the Iraqi-supplied hostage videotape, commentators agree there is a risk of Mr Saddam succeeding in his more basic goal to create a sense of terror and helplessness over the fate of Americans held captive inside Iraq.

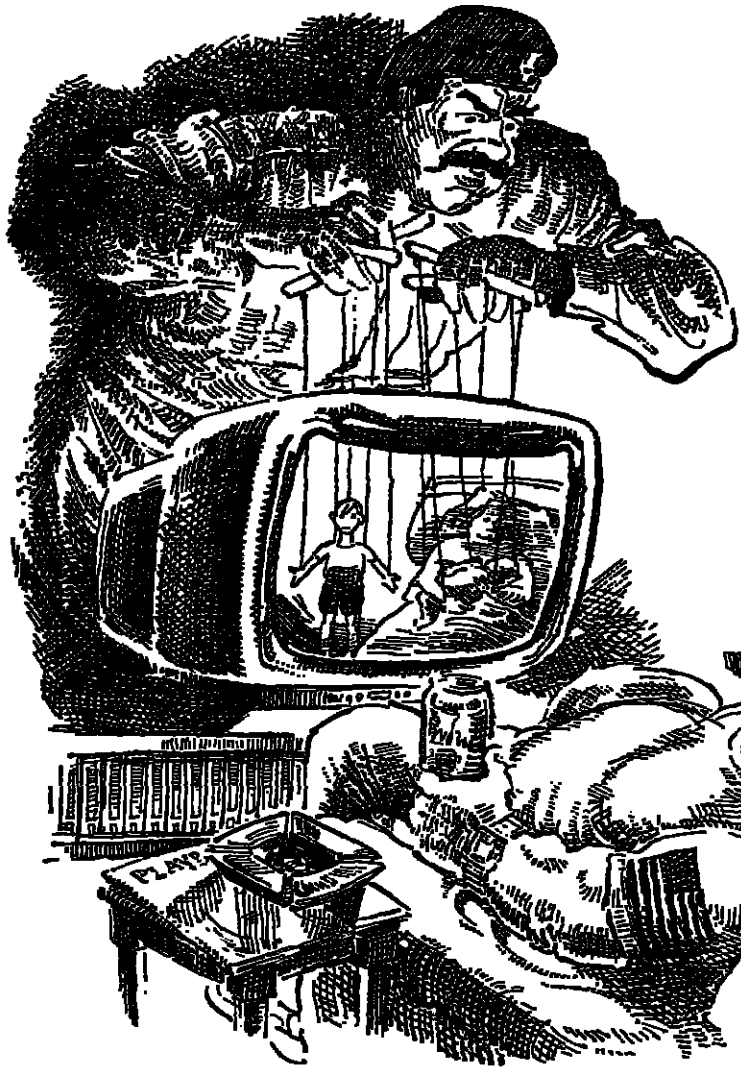
The decision by CNN, the 24-hour international television news network based in Atlanta, to carry hostage broadcasts this week in their entirety, captures the dilemma for television in the current crisis. Pictures remain at a premium, but who is using whom?

The emergence of television as one of Mr Saddam's weapons raises other tricky questions: how does an open society such as the US fight a dictator? Is President Bush at a disadvantage, given his need to consider not just American public opinion but also Arab and world public opinion? Do the networks have any responsibility to impose self-restraint in the face of the propaganda out of Baghdad? "It's the old debate," says Mr Robert Lichten, co-director of the Washington-based Center for Media and Public Affairs. "Are American journalists, first journalists, or first Americans?"

Self-restraint is not a word which often appears in the vocabulary of American TV, where news values have a hard time competing with the urge to entertain, and where journalists guard their constitutional right to freedom of speech and expression under the First Amendment.

The US Government can do little to interfere directly; certainly not through legislation. But the White House has begun to drop hints that Mr Bush is unhappy with some of the coverage. The President has already suffered nagging criticism for sticking to his vacation plans in Maine. Film of soldiers arriving in the Saudi desert has been juxtaposed with the President shooting around in his speed boat trying to hook bluefish.

The latest bout of official pique was the result of reporting inside Iraq by the two network anchors, or newscasters, Mr Ted Koppel of ABC and



Mr Dan Rather of CBS. Mr Koppel, a long-time Middle East hand whose mentor is Dr Henry Kissinger, was the first US correspondent inside post-invasion Baghdad. Mr Rather's testy relations with Mr Bush go back to the 1988 election campaign when they had a 10-minute live shouting match on CBS evening news.

Not known for his knowledge of the Middle East, Mr Rather ("Every broadcast must have magic moments which create tiny sunbursts of thought") arrived in the Gulf shortly

after the conquest of Kuwait. He promptly declared he could not reveal his whereabouts because of security fears in the host country; he then moved to Amman, Jordan, where he made much of anti-American sentiment. His interview with Mr Saddam was certainly a scoop, but it was short on news and long on bathos: "Mr President," he asked at one point, "is this a Vietnam in the sand for the United States?"

By mentioning Vietnam, Mr Rather, perhaps unconsciously touched upon the single most sensitive area in the uneasy relationship between the US Government and television. Network coverage of the conflict - notably the exaggerated success attributed to the 1968 Tet offensive and myriad shots of American body-bags - is often blamed by the US military for eroding public support for the first time.

Mr Rather wrote in his book, *The Camera Never Blinks*, "war was com-

ing into our homes."

A contrary view suggests that the US lost the Vietnam war because it tried and failed to turn a civil war into an international conflict requiring American intervention. Moreover, television was happy to bang the patriotic drum in the early days.

"Granted, television helped get us out of Vietnam," wrote Mr Michael Arlen, the critic, "but it also helped march us in."

More recently, during the 1980 Iranian hostage crisis, US television appeared again to act to the detriment of the national interest. The plight of the 50 Americans held for 444 days inside the US embassy in Teheran was turned into a collective psychotherapy session on US impotence, played out every night on TV.

The chief beneficiary was a late-night ABC programme called *America Held Hostage*, which turned into the popular late-night interview programme *Nightline*, chaired by Mr Koppel. *Nightline* covered the Iranian hostage crisis from every angle: interviews with hostage families, hostage tape analysts, hostage psychoanalysts, even media pundits pontificating on the ethics of running half-hour shows on hostages.

Ms Susan Merandetti, who worked on *Nightline* for most of the 1980s, says she now believes that the programme was damaging. "I would be horrified if another show focused on the hostages in Iraq in the same way," Mr Boone Arledge, president of ABC news (and the brains behind the *Nightline* concept) agreed. "I hope we've learned something since then."

Some television executives take a more robust attitude to what the public will tolerate. Mr Ed Turner, director of CNN News, takes exception to public debates about the decision to air, unedited, the Iraqi-supplied hostage tape. CNN, he says, has hedged the

The Gulf crisis has put American TV networks in the spotlight, says Lionel Barber



tape with disclaimers such as "government-controlled Iraqi television", and "hostages under control of the Iraqi Government".

More controversially, Mr Turner argues that it is not the job of the television journalist to "filter" pictures, to insert editors between the pictures out of Baghdad and CNN's 10m subscribers around the world. Like some of his TV colleagues, Mr Turner occasionally sounds in awe of the medium. Informed last week that Iraqi TV would supply regular footage

of hostages, Mr Turner said: "We could have a hostage-of-the-day TV show. Can you imagine the exorbitant effect on the national will if we were to put this on day after day?"

Television risks succumbing to its own power fantasy. For it was not television, but President Jimmy Carter, who turned the Iranian hostage crisis into a national obsession. His admission that he thought of the fate of the Americans "every hour of the day" was the trigger.

Ten years on, television's most obvious influence has been to persuade Mr Bush that his best hope is to avoid anything which smacks of the Carter approach. "With each unseemly swing of the golf club," said Mr Marvin Kalb, director of Harvard's Shorenstein Barone Centre on the Press, Politics and Public Policy, "the President wishes to make neutral in the crisis, which is more than can be said for Iraqi television."

of the Gulf crisis - just as in the Iranian hostage crisis remained uncritical in its initial stages and supportive of the President. Little attempt was made to analyse possible US intelligence/policy failures in predicting the Iraqi invasion; nor was there much effort to examine the important US claim that Mr Saddam had designs on Saudi Arabia. History, as usual, took a back seat, with few TV correspondents venturing to explain Iraq's territorial claims to Kuwait territory - or the role of the great powers in drawing the Middle East map after the First World War.

Instead, television adopted a jingoistic tone, reminiscent at times of British popular newspaper coverage during the Falklands conflict. "It was Washington über alles," said one congressional staff member.

Mr Kalb argues that networks were too dependent on the armchair Clausewitzes, the retired admirals, generals, former secretaries of state and defence, who sounded more like cheerleaders than independent experts. Admiral William Crowe, former Chairman of the Joint Chiefs of Staff, appeared as an ABC news "consultant". Asked about the vulnerability of US ground forces in Saudi Arabia, Mr Crowe replied: "We'll clean their clocks."

More recently, a subtle and potentially dangerous shift is under way. As Mr Shales of the Washington Post observed, television seems not just to be covering the Gulf crisis but mediating it. As one pundit during the intervention with Mr Saddam, Mr Rather asked: "Do you have a message for President Bush," adding knowingly, "this is an opportunity to speak directly to him."

The generous interpretation is that Mr Rather was simply following in the footsteps of his majestic predecessor Mr Walter Cronkite, the CBS anchorman who once conducted a three-way dialogue with President Sadat of Egypt and Prime Minister Begin of Israel. Increasingly, however, the trend in US television is to turn what ought to be ordinary reporters into towering celebrities with fat salaries, capable not just of commenting on world events but actually influencing their outcome.

Hence, ABC described Mr Koppel in recent advertising as a "TV statesman" (that is, until an infuriated Mr Koppel ordered the plug to be whipped off the air). Meanwhile, the Reverend Jesse Jackson, the civil rights leader and two-time contender for the Democratic presidential nomination, has drawn the appropriate conclusion. With his political career at a dead-end, Mr Jackson has been reincarnated as a journalist and talk-show host. This week, he headed off to Baghdad in search of the inevitable interview with Mr Saddam.

The second disturbing development for Mr Bush is that television appears to be returning to its more traditional, adversarial role. This accounts for the journalistic drive into Baghdad, to present "the other side of the story". As Mr Lichten notes: "Journalists in the US see their role as bringing criticism to the fore. I suspect they are going to get increasingly nervous about being close to the US Government on the Gulf."

Mr Bush, of course, can still count on formidable support for his strategy of building an international consensus against Iraq. The White House can also use regular presidential appearances to blunt Mr Saddam's offensive. But the nagging fear is that the American media feel no special obligation to support his cause. At best, it is likely to manufacture in the crisis, which is more than can be said for Iraqi television.

MAN IN THE NEWS

Tariq Aziz

Urbane bearer of bad news

By Andrew Gowers and Tony Walker



In northern Iraq, he is the odd man out in a regime dominated by Sunni Muslims from Mr Saddam's home town of Tikrit. Unlike most of his colleagues, he is an intellectual, he speaks excellent English and he is quite at home in the diplomatic salons of Europe.

He has a lively sense of humour, and is said by former colleagues to appreciate risqué political jokes. He is also a devoted husband and father to three children - the youngest of them predictably named Saddam - and not long ago was letting friends know that he wanted to step down from the Foreign Ministry in order to spend more time with his family.

While there is little doubt that he has in the past shared Mr Saddam's claustrophobic, conspiratorial view of the world, he also has a broader dimension, derived from long service as the Iraqi leader's

eyes and ears abroad. "Tariq Aziz is one of the main conduits through which the outside world can get to Saddam Hussein, and vice versa," said one official who worked with him for many years. "If anyone knows how to put difficult issues to the President, it is him."

Such broad-mindedness clearly has strict limits. Mr Aziz was not in a position to negotiate with Mr Pérez de Cuéllar yesterday, any more than the UN Secretary General will have been able to do more than stress the need for Iraq to comply with the will of the Security Council.

It was over thus. During the protracted Geneva talks to end the Gulf war, Mr Aziz had to refer any substantive change of position back to his boss - and since the Iraqis did not trust the international phone lines, texts had to be exchanged by plane. He can be

a combative, even intransigent negotiator, as he showed during the chaotic exchanges at the August 10 Arab summit in Cairo. Given his experience of dealing with his boss, he would need no reminding of the dangers of back-sliding.

His minority background means that he has to be particularly careful about the way he presents himself. "Because he is a Christian and an outsider in the leadership, there was a sense that he had to be more committed, tougher and harder than his colleagues," said a western official who recently served in Baghdad.

The son of a minor functionary in the governorate of Mosul, Mr Aziz moved with his family to Baghdad before he was 10 and studied English literature at the Baghdad College of Fine Arts - at a time when most of the lecturers were British - before embarking on a brief secondary school teach-

ing career. But not long after graduation, he became immersed in underground party propaganda work.

In the early 1960s he spent a while in Syria collaborating with that country's Ba'athists - during which time he married a fellow-Christian from his own community. After Iraq's Ba'athist coup of 1968, he rose through the ranks, running the party newspaper *Al Thawra*, and moving on to become Information Minister in 1974. Although he became Foreign Minister only in 1983, he has been in charge of foreign affairs for the party since the 1970s, and the previous Foreign Minister, Mr Saadoun Ham-madi, had to report to him.

A pointer to Mr Aziz's importance in the scheme of things is the fact that he is among the very few functionaries to be a member of the three key ruling organisations in Iraq: the Ba'ath Regional Leadership, the Revolution Command Council and the Government itself.

This is not to say that he is a powerful figure in his own right. Mr Saddam has seen to it that no member of his entourage has an independent power base. As one former Iraqi official put it: "He is completely dependent on Saddam, but then they are all. When Saddam's dead, they're all dead. They have no bridges to the future. He's made them all cling to his leadership."

Where Mr Aziz has been able to make his mark, says this official, it is by dint of "character, talent and hard work" - factors which make him perhaps more valuable than any of Mr Saddam's other henchmen. He knows instinctively how to read his master - what advice he will swallow and what is better left unsaid.

This is where the Foreign Minister may have an important role to play in the coming days. Nobody doubts that the key to war and peace in the Gulf lies squarely with Mr Saddam. But if Mr Aziz cannot or will not help the President realise how the odds are stacked, then nobody can.

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FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries																		
EQUITY GROUPS & SUB-SECTIONS		Friday August 31 1990										Highs and Lows Index						
Index No.	Day's Change %	Est. Yield (%)	Gross Div. Yield (%)	P/E Ratio	Div. to date	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.		
Figures in parentheses show number of stocks per section																		
1990																		
High Low High Low																		
Since Compilation Low																		
1 CAPITAL GOODS (295)	762.56	+0.5	14.89	6.09	8.22	24.69	762.20	754.95	758.49	1003.43	960.80	4 1/2	734.17	23/8	1038.07	16/7 8/7	50.71 13/12/74	
2 Building Materials (26)	961.83	-0.5	15.80	6.27	7.81	31.55	961.83	963.24	969.09	1174.80	1188.21	3 1/2	932.04	23/8	1381.08	16/7 8/7	44.27 11/12/74	
3 Contracting, Construction (36)	1214.75	-0.7	19.39	6.74	7.70	38.33	1223.11	1215.78	1221.59	1554.73	1621.44	4 1/2	1177.08	23/8	1951.50	16/7 8/7	31.48 3 1/2 7/74	
4 Electronics (27)	2119.80	+0.3	13.85	6.31	8.83	63.54	2092.81	2054.25	2030.10	2031.44	2751.15	4 1/2	1998.16	23/8	3040.80	8 9 8/9	41.71 25/6 82	
5 Engineering-Aerospace (8)	428.51	+0.4	10.21	4.97	13.27	55.48	426.24	420.44	416.46	2265.59	2044.72	9 1/2	1567.44	21/6	2308.22	19/5 8/9	122.01 8 10/8/5	
6 Engineering-General (46)	416.08	-0.2	14.58	6.20	8.28	13.89	419.31	420.11	419.30	0.00	502.42	13/6	403.83	23/8	502.42	13/6 9/0	80.83 23/8 9/0	
7 Metals and Metal Forming (4)	428.22	+0.1	26.96	7.85	4.51	16.68	427.03	417.03	412.78	412.57	0.00	505.10	13/6	402.40	23/8	505.10	15/6 9/0	40.20 24/8 9/0
8 Motors (13)	308.95	-0.3	12.93	5.91	7.78	10.79	308.21	304.56	304.56	307.36	403.90	4 1/2	414.02	23/8	566.67	9 10/8/7	49.65 6 1 7/5	
9 OTHER INDUSTRIAL MATERIALS (23)	1351.89	-0.1	11.33	5.91	8.93	39.65	1351.29	1336.96	1336.96	1525.87	1774.64	3 1/2	1293.21	23/8	1381.33	18/8 8/9	27.55 15/1 18/1	
10 CONSUMER GROUP (178)	1200.00	+0.4	10.18	4.23	12.15	25.09	1195.64	1176.30	1176.30	1404.32	1357.03	6 1/2	1140.30	23/8	1417.92	4 9 8/9	61.41 13/1 8/74	
11 Groceries and Distillers (22)	1490.32	+0.5	10.32	3.91	11.73	30.46	1483.43	1466.26	1446.32	1551.86	1550.55	20/7	1369.31	6 3	1650.25	20/7 9/0	66.47 13/1 8/74	
12 Food Manufacturing (20)	1012.54	+0.5	11.34	4.76	10.90	23.22	1007.31	997.82	998.46	1206.83	1184.41	3 1/2	972.88	23/8	1226.42	4 9 8/9	56.67 11/12/74	
13 Food Retailing (16)	1427.97	+0.2	7.49	3.99	13.73	45.88	1427.97	1427.97	1427.97	1427.97	1427.97	1427.97	1427.97	1427.97	1427.97	1427.97	1427.97	
14 Health and Household (16)	2313.44	+0.3	9.32	2.99	15.80	29.07	2305.87	2247.78	2240.67	2722.15	2795.49	4 1/2	2188.04	30/4	2722.30	5 9 8/9	54.25 11/12/74	
15 Leisure (32)	1252.97	-0.4	11.87	5.00	10.22	38.84	1257.55	1245.78	1240.49	1722.15	1795.49	4 1/2	1216.60	23/8	1445.77	8 9 8/9	58.83 9 1 7/5	
16 Packaging & Paper (112)	1427.97	+0.3	7.49	6.52	9.86	14.71	1427.97	1427.97	1427.97	1427.97	1427.97	1427.97	1427.97	1427.97	1427.97	1427.97	1427.97	
17 Publishing & Printing (16)	1110.72	+0.3	11.69	6.03	10.73	105.00	1110.72	1107.31	1107.31	1257.55	1240.49	17/7	1110.72	23/8	1427.97	4 9 8/9	43.46 6 1 7/5	
18 Stamps (33)	794.88	+0.1	11.69	6.03	10.73	105.00	794.88	794.88	794.88	909.52	887.73	30/3	794.88	23/8	909.52	10/8/7	35.08 6 1 7/5	
19 Textiles (11)	423.10	-0.2	11.13	4.75	11.62	16.55	423.10	423.10	423.10	423.10	423.10	3 1/2	423.10	23/8	423.10	23/8	62.66 11/12/74	
20 OTHER GROUPS (167)	1027.50	+0.9	12.51	6.61	8.22	24.69	1027.50	1027.50	1027.50	1027.50	1027.50	3 1/2	1027.50	23/8	1027.50	23/8	58.63 6 1 7/5	
21 Agencies (16)	1190.15	-1.1	8.56	3.91	11.73	30.46	1190.15	1190.15	1190.15	1190.15	1190.15	15/6	1130.24	23/8	1190.15	23/8	87.05 3 4 12/8/7	
22 Chemicals (24)	1599.26	+0.9	12.51	6.61	8.22	24.69	1599.26	1599.26	1599.26	1599.26	1599.26	3 1/2	1599.26	23/8	1599.26	23/8	71.20 11/12/74	
23 Conglomerates (15)	1427.97	-0.4	11.80	6.99	10.22	38.84	1427.97	1427.97	1427.97	1427.97	1427.97	17/7	1427.97	23/8	1427.97	23/8	105.75 10/12/8/7	
24 Transport (13)	1974.96	-0.2	12.36	6.26	10.10	49.33	1974.96	1974.96	1974.96	1974.96	1974.96	4 1/2	1974.96	23/8	1974.96	23/8	90.80 26 9/2	
25 Telephone Networks (2)	1137.09	+0.3	11.77	5.15	11.05	26.09	1137.09	1137.09	1137.09	1137.09	1137.09	3 1/2	1137.09	23/8	1137.09	23/8	517.92 30/1 8/8/7	
26 Water (10)	1956.49	-0.7	14.74	6.92	7.15	68.12	1956.49	1956.49	1956.49	1956.49	1956.49	16/2	1820.20	1 5	2079.08	16/2 9/0	32.53 6 1 7/5	
27 MISCELLANEOUS (27)	1599.12	+0.2	11.98	5.95	7.82	43.04	1598.88	1592.79	1593.67	1975.26	1984.34	3 1/2	1489.31	23/8	2087.06	12/7 8/7	60.39 6 1 7/5	
28 INDUSTRIAL GROUP (489)	1044.89	+0.2	11.98	5.95	7.82	43.04	1044.89	1044.89	1044.89	1044.89	1044.89	3 1/2	1044.89	23/8	1044.89	23/8	50.90 13/1 7/5	
29 Oil & Gas (20)	2435.70	+0.5	10.24	5.07	12.78	70.93	2435.70	2435.70	2435.70	2435.70	2435.70	3 1/2	2435.70	23/8	2435.70	23/8	87.25 29/5 8/74	
30 FT-SE 100 SHARE INDEX (500)	2162.81	+0.4	11.70	5.13	10.55	30.29	2162.81	2162.81	2162.81	2162.81	2162.81	3 1/2	2162.81	23/8	2162.81	23/8	62.49 13/1 2/74	
31 FINANCIAL GROUP (107)	714.72	+0.2	6.81	26.24	713.25	708.28	713.25	713.25	713.25	713.25	713.25	3 1/2	713.25	23/8	713.25	23/8	55.08 13/1 2/74	
32 Banks (9)	702.32	-0.1	21.22	7.46	6.17	41.50	702.32	702.32	702.32	702.32	702.32	2 1/2	702.32	23/8	702.32	23/8	62.48 13/1 2/74	
33 Insurance (Life) (7)	1358.35	+1.0	5.44	37.79	1344.27	1320.05	1344.27	1320.05	1344.27	1320.05	1344.27	2 1/2	1344.27	23/8	1344.27	23/8	56.44 13/1 2/74	
34 Insurance (Non-Life) (6)	606.19	+0.1	7.00	21.72	605.47	601.56	605.47	601.56	605.47	601.56	605.47	2 1/2	605.47	23/8	605.47	23/8	44.88 2 1 7/5	
35 Insurance (Compulsory) (6)	847.24	-0.4	10.09	7.58	13.07	33.25	846.99	839.91	854.05	1098.38	1194.74	4 1/2	820.34	23/8	1399.57	29/6 9/0	65.86 16/1 2/74	
36 Merchant Banks (7)	385.53	+0.5	5.30	11.93	381.26	378.53	381.26	378.53	381.26	378.53	381.26	6 1/2	371.01	23/8	547.59	12/10/8/7	31.21 7 1 7/5	
37 Property (47)	937.90	+0.1	9.20	5.23	13.92	22.64	937.90	937.90	937.90	937.90	937.90	4 1/2	937.90	23/8	937.90	23/8	56.01 20/4 8/5	
38 Other Financial (23)	255.79	+0.2	11.06	5.12	11.76	8.95	255.79	255.79	255.79	255.79	255.79	4 1/2	255.79	23/8	255.79	23/8	39.28 16/7 8/7	
39 Investment Trusts (66)	1070.34	+0.6	3.68	22.49	1063.99	1045.57	1063.99	1045.57	1063.99	1045.57	1063.99	4 1/2	1063.99	23/8	1063.99	23/8	12.13 13/12/74	
40 Overseas Traders (5)	1274.97	+0.4	10.93	7.17	10.93	59.65	1274.97	1274.97	1274.97	1274.97	1274.97	3 1/2	1274.97	23/8	1274.97	23/8	97.37 6 1 7/5	
41 ALL-SHARE INDEX (678)	1051.08	+0.3	5.31	29.47	1047.54	1035.28	1047.54	1035.28	1047.54	1035.28	1047.54	3 1/2	1047.54	23/8	1047.54	23/8	61.92 13/1 2/74	
42 FT-SE 100 SHARE INDEX	2162.81	+0.2	2162.81	2162.81	2162.81	2162.81	2162.81	2162.81	2162.81	2162.81	2162.81	3 1/2	2162.81	23/8	2162.81	23/8	98.9 23/7 8/4	

FIXED INTEREST		AVERAGE GROSS REDEMPTION YIELDS		Fri Aug 31		Thurs Aug 30		Year ago (approx.)		1990	
PRICE INDICES	Fri Aug 31	Day's change	Thurs Aug 30	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.
1 British Government	116.84	+0.13	116.69	1 Low	11.07	11.11	9.62	12.36	2 1/2	10.16	2 1/2
2 5-15 years	120.07	+0.31	119.70	2 Coupons	11.07	11.11	9.24	11.94	30/4	9.58	2 1/2
3 Over 15 years	122.95	+0.42	122.43	3 25 years	11.07	11.11	9.16	11.85	30/4	9.52	2 1/2
4 Irredeemables	138.11	+0.33	137.66	4 Medium	12.04	12.08	10.56	13.58	2 1/2	11.03	2 1/2
5 All stocks	121.10	+0.26	120.78	5 Coupons	11.59	11.63	9.66	12.45	27/4	9.97	2 1/2
6 Index-Linked	149.49	+0.07	149.39	6 High	11.54	11.58	9.29	11.98	27/4	9.65	2 1/2
7 Up to 5 years	136.91	+0.28	136.54	7 15 years	12.15	12.19	10.66	13.67	2 1/2	11.17	2 1/2
8 Over 5 years	137.75	+0.26	137.39	8 Coupons	11.65	11.69	9.84	12.76	27/4	10.17	2 1/2
9 Irredeemables	97.89	+0.12	97.77	9 25 years	11.22	11.29	9.40	12.27	27/4	9.78	2 1/2
10 Preference	74.54	+0.03	74.52	10 Irredeemables	11.22	11.29	9.24	11.83	30/4	9.66	4 1/2

Opening Index 2143.7; 9 am 2152.9; 10 am 2147.7; 11 am 2153.3; Noon 2157.1; 1 pm 2157.3; 2 pm 2157.7; 3 pm 2158.2; 4 pm 2155.7; 4.10 pm 2157.2; 4.29 pm 8.30 am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	Other Industrial Materials	31/12/80	287.41	Food Retailing	29/12/87	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	26.17	Insurance Brokers	29/12/87	93.67
Water	29/12/89	196.45	Other Groups	31/12/74	63.75	All Other	10/4/82	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-Linked	30/12/87	100.00
Telephone Networks	30/11/84	117.92	Other Financial	29/12/87	114.13	Debt & Loans	31/12/77	76.72
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/87	114.13	Preference	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers. The Financial Times, Number One, Southwark Bridge, London SE1 9BL, price 15p, by post 35p.

Shareholders in ASEA Aktiebolag

The shareholders in ASEA AB are herewith summoned to a special meeting of shareholders to be held Wednesday, September 19, 1990, at 10.00 a.m. in the auditorium of the Salén building, Norrlandsgatan 15, Stockholm.

NOTIFICATION

INTERNATIONAL COMPANIES AND FINANCE

Skandia profit tumbles in first half to SKr12m

By Robert Taylor in Stockholm

SKANDIA, Sweden's largest insurance and property group, reported a huge fall in its operating profit for the first half of the year yesterday, with a decline to SKr12m (\$2.08m) from SKr120m for the same period of 1989.

Mr Bjorn Wolrath, the company's president, blamed the downturn on three factors. The company was affected by a large number of significant claims in Sweden and Europe because of last winter's storm damage and by a weak performance in Skandia's investment portfolio, mainly because rapid expansion had led to increased expenses on interest and good-will payments.

In addition, Swedish insurance legislation required that companies adjust their assets to the lower of cost or market value, and there was a decline in the surplus value of assets

to SKr332m from SKr1.54bn in the first six months of last year.

However, Mr Wolrath also pointed out that the group's net asset value per share amounted to SKr257, the same figure as at the end of last year, compared with SKr240 for the first half of 1989.

Total premium income rose to SKr12.36bn for the January-June period from SKr9.25bn. Skandia's investment income amounted to SKr2.11bn, against SKr2.14bn.

Mr Wolrath also announced that the group was expected to be listed on the International Stock Exchange in London from October 4 and in the Danish bourse from September 27. It is already quoted on the Stockholm and Oslo stock markets. At present Skandia's unquoted shares are traded in London.

Bristol-Myers reveals French drugs deal

By Alan Friedman in New York

BRISTOL-Myers Squibb, the world's second-biggest drug company, is to acquire a blocking minority shareholding of 33.5 per cent in the UPSA Group, the leading French maker of analgesic pharmaceutical products.

Terms for the transaction were not disclosed, but it is understood that the US drug company intends to make a substantial investment in developing UPSA's effective non-prescription business on a worldwide basis.

Mr Guy Bourdin, executive vice-president of UPSA, said this would mean a significant marketing push to bring products to the US.

UPSA, which had 1989 sales of FRF1.25bn (\$25m), employs 1,500 workers and has subsidiary distribution companies in Italy, Belgium, Spain and Portugal.

Some 70 per cent of the company's turnover comes from the French market, with the balance derived from exports, predominantly to

Africa and the Middle East. Among UPSA's French products are Aspirine UPSA and Effergal, two effervescent aspirin and acetaminophen products. Other French products include Niduril, an anti-inflammatory product, and Cipralin, a cardiovascular drug.

Founded in 1935, UPSA claims to have 30 per cent of the French analgesic market and to be ranked second in the overall European market for self-medication analgesics, after Bayer of West Germany.

Bristol-Myers, which will have effective blocking control of UPSA, hopes to use French effervescent technology to develop products that will be exported from France throughout the world.

UPSA's manufacturing base, located in Agen, will be the main production site. Its research and development centre, located in Rueil-Malmaison, near Paris, will also be expanded for the development of new molecules and drug delivery systems.

Axel Springer climbs to DM60m

AXEL SPRINGER, the West German publishing group, said yesterday that its first-half net profit rose 7 per cent to DM60m (\$38.4m) against the same period last year, AP-DJ reports.

It said it achieved the earnings despite its co-operative ventures in East Germany,

which demanded considerable expense.

Sales rose 14 per cent to DM1.67bn, with all the company's sections contributing to the increase.

The company expects the positive earnings developments to continue in the second half of 1990.

Swire Pacific hit by 16% fall in profits

By Angus Foster in Hong Kong

THE STRING of disappointing company results in Hong Kong continued yesterday when Swire Pacific, the aviation, property and trading group controlled by the Swire family, announced a 16.6 per cent drop in net interim profits to HK\$1.697bn (\$351.41m).

Mr David Gledhill, chairman, said the fall was largely due to an absence of property trading profits as the company switched emphasis to property investment.

He predicted "significantly higher" profits for the second half of the year.

Profits also suffered from higher finance charges and Mr Gledhill said cost pressures were affecting some parts of the group.

Turnover at the halfway stage gained 4.7 per cent to HK\$14.93bn. The company is maintaining its interim dividend at 23 cents a share.

Two companies in Swire's aviation division, which last year accounted for 71 per cent of profits, have already announced mixed interim results.

Cathay Pacific Airways, in which Swire holds a 51.5 per cent stake, revealed that interim profits gained only 4 per cent to HK\$1.43bn while Hong Kong Aircraft Engineering Company, in which Swire is a 31.3 per cent shareholder, announced that interim profits fell 8 per cent.

Mr Gledhill said the group's shipping, offshore services and dockyard divisions reported higher interim profits, while the industries division was helped by a strong performance from its Coca-Cola bottling business.

Phase Two of Swire's landmark Pacific Place property development, which the company hopes will become an alternative location for companies now based in Central, is complete.

The company said 90 per cent of the retail space and 40 per cent of the office space was let.

CHINA Entertainment and Land, a small property company controlled by Hong Kong's controversial Li Ka-shing, plans to take private its 49.9 per cent-owned subsidiary Paul Y International.

China Entertainment and Land is offering HK\$2 a share for those shares it does not own in Paul Y, a construction and property company.

The director of China Entertainment said the move was a reaction to weak market conditions and the trend for property companies to trade well below net asset values in Hong Kong.

Pop 84 plans to button up the rag trade

Haig Simonian reports on the widening scope of an Italian clothing manufacturer

Bored with Benetton? Sick of Stefanel? Don't worry, a new name is on the way, youthful and relatively inexpensive Italian clothes looks set to follow the international trail already blazed by its two better-known counterparts.

Pop 84, the franchise clothing chain being stitched together by Mr Remo Perna and his brother Antonio from economically depressed southern Italy, has already made its mark domestically, with a chain of 300 shops.

Now it is looking abroad. The first 10 Pop 84 franchises have been awarded in France, while a shop in Düsseldorf marks the group's entry into the West German market.

where it hopes to have 10 other outlets by the end of this year. British consumers will have to wait a little longer. Negotiations with a leading franchiser collapsed in the wake of the downturn in UK consumer spending.

Nevertheless, Mr Remo Perna, chairman of Gepafin, the family-owned holding company which controls Pantem - the Pop 84 clothing manufacturer - along with Euro-

company and ITR, two associated clothing manufacturers, says it is in talks with new UK partners, with a view to opening the first Pop 84 outlet there by the end of the year.

Although in many ways indistinguishable in product terms from its more illustrious Italian rivals, the differences between Pantem and Benetton and Stefanel, which target broadly similar age and income brackets with their colourful mid-market apparel, are more than just skin deep.

Both Benetton and Stefanel, with sales of L1.657bn (\$1.44bn) and L305bn respectively last year, are rooted in the devel-

oped industrial structure of northern Italy, where medium-sized family-owned companies, surrounded by hundreds of smaller subcontractors, abound and thrive. Pantem is a world apart.

It is based just outside Isernia, a small town near the centre of Italy, between the Adriatic and Tiberian seas. Just reaching it is an effort - Naples, the nearest airport, is over 80 miles away; there is no major highway, and only a single railway track snakes its way through the surrounding hills.

Although southern Italy, which is still predominantly agricultural, has pockets of colossal state-owned industry, private entrepreneurs such as Stefanel, which has more than 500 employees, and provides work for many times more at its subcontractors, do not abound.

The group also differs sharply from its rivals in its products and distribution. Benetton and Stefanel have grown from the wool or cotton knitwear industry cradle of northern Italy, whereas Pantem is stronger in items such as jeans, shirts and skirts, according to Mr Perna. So, although their shops may look much the same, they are different, and the consumer knows where to go, he claims.

But it is in distribution where Pantem is really set apart. Originally based on selling directly to wholesalers and big stores groups, it is only since October 1988 that the company has chosen to franchise its Pop 84 range.

The shift to franchising, which accounts for 1.97m, or 24 per cent, of the holding company's L400bn turnover last year, has created hefty new challenges, says Mr Perna.

While its other clothing lines such as Quarry, Silver Plate or Nuovolare are still being sold directly to big trade buyers - notably the Fiat-owned Rinascente/Upim chain - the shift to franchising for Pop 84 means advertising and promotion budgets have had to be stepped up. About half the group's L15bn advertising spending is now being devoted to Pop 84.

Sponsorship is also on the increase: the company backs Yugoslavica, the Yugoslavian basketball team which is the current European champion, and has dabbled in Formula 1 motor racing.

Mr Perna argues that choosing the diversified sales methods for the group's different ranges provides a source of stability which some competitors may lack. Benetton in particular has been coming in for increasing criticism from some of its retailers for swamping the market with its policy of "clustering" many stores in one neighbourhood.

It was sponsorship which indirectly led to Mr Perna's latest push into more upmarket women's wear, with the development of the Edwige fashion range, named after the Italian television and film actress who presented the popular TV show the company backed.

Using her name for the new collection has provided a substantial boost, according to Mr Perna. Launched simultaneously in Italy, France, Spain and Greece this year, sales of the inaugural autumn-winter 1990-91 collection have been encouraging, he says.

"We would have needed two or three years to do what we have done in three to four months," he says. The range is now being extended for the



Remo Perna: holding talks with possible UK partners

spring 1991 collection and the company is in talks to start selling in Japan too.

Developing the new line, which is being sold exclusively to upmarket independent retailers, should help to plug the yawning gap in the Italian market between labels such as Benetton, Stefanel and Pop 84 and the country's select line of top-name designers, whose exclusive clothes sell at prices beyond the average pocket.

"The French and the Germans have become very strong in this sector," says Mr Perna. According to him, the European market may soon be sewn up by Italian manufacturers, who do not quickly develop their own ranges to compete.

So far, Mr Perna has shown impressive speed, despite the group's disadvantaged location. Government grants, including a 40 per cent investment subsidy and generous

amortisation treatment, have helped, but not enough to make up for the south's poor communications and infrastructure, he believes.

However, with minority stakes in 20 to 25 of the 250-odd local subcontractors which produce the bulk of the group's clothing, Pantem's poor position does not appear to have caused any lasting harm to its financial health, whatever the difficulties it faced attracting seed capital when it started in 1972.

Net earnings last year amounted to L20bn, representing a 5 per cent net margin on sales, which Mr Perna hopes can be maintained as sales climb to a forecast L500bn this year and L1,000bn by 1995.

Somewhere along the way will come a flotation. For unlike many Italian family entrepreneurs, Mr Perna is keen to list the company on the bourse. A quotation was planned two years ago, when Milan share prices were rising, but was stalled by the October "mini-crash," he says.

Now it is on course again, and a public listing is likely within the next two years at the most. "If a company has reached a certain level of sales, it is almost a duty to go public," Mr Perna reckons.

Obviously, the publicity and advertising generated are useful spin-offs for a company in the rag trade which has to keep itself in the public eye. But unlike his counterparts at Benetton or Stefanel, Mr Perna has shied away from using his own name for the group's products, attenuating the advertising benefits of an eventual flotation. True, matters may have been easier for Mr Luciano Benetton, but, "I could have hardly called myself Mr Pop 84," he jokes.

Philips link to chip venture in doubt

By Michael Skapinker in London and Ronald van de Krol in Amsterdam

A REPRESENTATIVE of the joint European semiconductor collaboration initiative yesterday expressed astonishment at reports that Philips, the Dutch electronics group, was to cut radically its commitment to the project.

Mr Klaus Knapp accepted, however, that Philips might be reconsidering its manufacture of static random-access memory (SRAM) chips. Philips heads Jessi's SRAM development project.

Mr Cor Vreven, a Philips representative, refused to comment on a report in the Dutch newspaper NRC Handelsblad that the company had decided to stop developing and producing SRAMs.

The report also said Philips would withdraw from the main part of the Jessi programme, though it would maintain its involvement in other areas,

such as basic research and applications of chip technology.

Any withdrawal of support by Philips would be a severe blow to Jessi. The \$4bn project - the Joint European Submicron Silicon Initiative - was set up last year to counter Japanese and US domination of the microchip industry.

Mr Vreven repeated previous company statements that Philips would publish restructuring plans for its businesses only after it had finished speaking to all parties concerned, including trade unions.

In July, Mr Jan Timmer, the new president of Philips, announced that the company would reappraise all areas of spending, including research into chip technology, as part of a significant cost-cutting operation. The company is forecasting a net loss of

F12bn (\$1.1bn) for 1990. In the first half of 1990, the components division, which includes computer chips, suffered an operating loss of F159m.

Mr Knapp said that Mr Heinz Hagemeister, the head of Philips integrated circuits business, had told him last week that the company remained committed to Jessi.

Philips is one of three leading participants, along with Siemens of West Germany and SGS-Thomson, the Italian-French chip maker.

Philips developed its SRAM chip as part of an earlier five-year joint research project with Siemens, which concentrated on developing dynamic random-access memory (DRAM) chips.

The two partners shared technology but set up separate production facilities.

ABN Amro withdraws forecast of stable earnings

By Ronald van de Krol

ABN Amro Holding, created last week out of the merger between the two biggest Dutch banks, reported flat results for the first half and retracted its earlier predictions of stable 1990 earnings, saying that the crisis in the Gulf made it impossible to give a full-year forecast.

Combined net profit for the two merger partners, Abn-Amro Bank Nederland (ABN) and Amsterdam-Rotterdam Bank (Amro), showed a small 1.9 per cent increase to F170m (\$401m) from F169m in the 1989 first half.

Combined gross profits, before taxes and allocations to provisions against risks, were down 0.5 per cent at F1.55bn. Profit per ordinary share of the new holding company ABN Amro, which began trading on

the Amsterdam Bourse on Monday, fell to F12.77 from F12.93.

The decline in per-share figures reflected the effect of a rights issue at ABN in early 1990 to finance the takeover of Exchange Bank of Chicago, as well as a dilution caused by the issuing of stock dividends for 1989 by both banks.

The bank will pay an interim dividend of F1.10 per share of F15 nominal.

Of the two partners, ABN put in the better performance, posting a 5.4 per cent increase in net profit to F137m. Amro's net profit slipped by 1.8 per cent to F135m. Amro's domestic operations are larger than those of ABN, and its commission income was hit harder by lower trading volumes on the Amsterdam Bourse.

WEEKLY PRICE CHANGES	Latest prices	Change on week ago	Year ago	High 1990	Low 1990
Gold per troy oz.	\$385.25	-25.75	\$359	\$420.25	\$345.75
Silver per troy oz.	\$254.30p	-8.85	\$265.00p	\$323.50p	\$234.30p
Aluminium 99.7% (cash)	\$1182	+16.5	\$1100	\$1182	\$1100
Copper Grade A (cash)	\$1158	+32	\$1101	\$1147.5	\$1104.5
Lead (cash)	\$1482	+7.5	\$1485	\$1490	\$1415
Nickel (cash)	\$11375	-750	\$12250	\$12500	\$10500
Zinc SHG (cash)	\$11642.5	+5	\$11745	\$11889	\$11250
Tin (cash)	\$5892.5	-72.5	\$5810	\$7020	\$5995
Cocoa Futures (Nov)	\$2775	+11	\$2751	\$2757	\$2548
Coffee Futures (Dec)	\$1507	-0.4	\$1533	\$1536.4	\$1258.0
Sugar (LDP Raw)	\$113.65	-0.25	\$112.05	\$112.45	\$110.45
Barley Futures (Nov)	\$111.25	-0.75	\$110.7	\$112.45	\$111.00
Wheat Futures (Nov)	\$111.25	-0.75	\$110.7	\$112.45	\$111.00
Cotton Output A Index	\$11.00	+1.55	\$92.00	\$92.00	\$73.00
Wood (Oak Super)	\$4370	-250	\$4500	\$4500	\$3700
Oil (West Blend)	\$26.50	-3.45	\$18.95	\$26.95	\$15.75

Per tonne unless otherwise stated. (Unquoted, p-pence/kg, c-cents lb, y-ounces)

London Markets

SPOT MARKETS		Latest	Previous	High/Low
Crude oil (per barrel FOB)	+ or -			
Jan		237.00	245.00	246.00 234.80
Dec		240.00	250.00	242.00 237.00
Mar		237.00	245.00	238.00 235.00
May		232.00	237.00	237.00 232.00
Aug		236.50	238.00	238.00 236.50
Oct		237.00	240.00	238.00 238.00
Oil products				
(WME prompt delivery per tonne CIF)	+ or -			
Premium Gasoline	237-582	+5		
Gas Oil	234-245	+5		
Heavy Fuel Oil	2103-106	-3		
Naphtha	2284-266	-2		
Petroleum Argus Estimates				
White		236.5	Previous	High/Low
Oct		213.5	219.0	214.0 208.0
Nov		207.5	210.0	209.0 207.0
Mar		207.5	213.0	207.5 205.0
May		206.0		206.5 205.0
Oct		204.5		205.0 204.0
Turnover: New 3354 (3442) lots of 50 tonnes.				
White 530 (1150)				
Paris: White (FFF per tonne) Oct 1980, Dec 1980				
Mar 1980, May 1980, Aug 1980				
CRUDE OIL - IPE				\$/barrel
	Latest	Previous	High/Low	
Oct	25.31	25.00	26.67 25.20	
Nov	25.73	25.48	26.62 25.70	
Dec	25.30	25.07	26.59 25.23	
Feb	24.35		24.25	
PIPE Index	25.55	25.64		
Turnover: 8674 (8721)				
GAS OIL - IPE				\$/tonne
	Latest	Previous	High/Low	
Sep	24.19	234.50	241.25 235.50	
Oct	24.02	234.75	242.00 235.50	
Nov	24.02	234.25	243.00 234.50	
Dec	24.15	233.75	242.00 233.00	
Jan	23.50	229.00	236.00 232.50	
Feb	22.25	224.00	227.25 218.00	
Mar	21.65		216.00 212.00	
Apr	21.00	205.25	215.00 212.00	
May	21.10	205.00	216.00 212.00	
Turnover: 6505 (1269) lots of 100 tonnes				
SPICES				
Nutmegs and macis: prices are still under pressure due to lack of demand for nearby positions, reports Mar Production. Indonesia is offering abate at US\$2,200 a tonne, sound shrivels at \$1,325 and keep as low as \$800, all Macis came down further and is now offered at \$1,975 off. Cloves: easier on shipment, the spot Europe market remains unchanged. Cassia: all India prices in Indonesia showing downward trend. Pimento: Mexican starts to come off and is now offered at 1400. Jamaica is unchanged.				

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Profit-taking hits sterling

HIGH YIELDING currencies continued to weaken on profit-taking, with sterling, the Canadian and Australian dollars losing ground. This trend began on Thursday and gathered pace yesterday.

Sterling encountered heavy selling, hitting lows of £1.8885 and £1.8900, compared with peaks of £1.9000 and £1.8950 on Wednesday. The pound's fall below £1.90 came as a shock to traders with long positions and triggered a bout of stop loss selling.

There were no new factors to account for sterling's sudden decline, apart from the fact that the currency had climbed from levels of £1.85 and £1.85 since the start of the Gulf crisis and was obviously vulnerable to profit-taking.

At the London close the pound had lost 3 cents to £1.8925. It had also fallen to £1.8925 from £1.8950; to £1.8925 from £1.8950; to £1.8925 from £1.8950; to £1.8925 from £1.8950.

On Bank of England figures sterling's index fell 1.5 to 95.0. The Canadian dollar suffered a similar fate, as its US counter rose £1.1550 from £1.1460. Since the beginning of the Gulf crisis the market has been particularly attracted to currencies of countries with oil reserves and particularly those supported by high interest rates.

Another victim of the trend was the Australian dollar, which closed in London at 81.50 US cents, compared with 81.80 cents in Sydney. Earlier in the week the Australian currency touched 84.00 cents but, like sterling and the Canadian dollar, has fallen back on profit-taking.

The US dollar advanced against most major currencies other than the Japanese yen. Thursday's rise in the Bank of Japan's discount rate provided underlying support for the yen, with the dollar easing to ¥143.85 from ¥144.25 at the

London close. Mr Karl Otto Pöhl, president of the Bundesbank, said there was no reason for Germany to follow the Japanese move, but this did not appear to be a factor behind the dollar's rise to DM1.5755 from DM1.5680. The dollar also advanced to FF5.2825 from FF5.2500 and to Sfr1.3080 from Sfr1.2955. According to the Bank of England the dollar's index rose to 63.6 from 63.2.

The Swiss franc fell to DM1.2045 from DM1.2055, but the prospects for the currency may be better than for other beneficiaries from the Gulf tension.

It is regarded as a safe haven at times of international tension and also has the advantage of competitive interest rates. These are likely to remain relatively high after yesterday's news that Switzerland's year-on-year inflation rate in August rose to 6 from 5.3 per cent.

FINANCIAL FUTURES AND OPTIONS

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LONDON STOCK EXCHANGE Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Tailsman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the three previous days is given with the relevant date.

Rule 53(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

* Bargains at special prices. † Bargains done the previous day.

British Funds, etc

No. of bargains included 607

Guaranteed Export Finance Corp PLC

12.5% Gtd Ln Ssk 2002/07 - £101

Corporation and County

Stocks No. of bargains included 5

Greater London Council 0.5% Ssk 2002/07 - £201.5 (28AUG)

Birmingham Corp 0.5% Ssk 1948/07 after - £27 (24AUG)

Bristol City 0.11% Ssk 2008 - £201.5 (28AUG)

Hull Corp 0.25% Ssk 1938/07 after - £17 (28AUG)

London City 0.13% Ssk 2008 - £102 (28AUG)

Sunderland Borough 0.11% Ssk 2008 - £200 - £20

UK Public Bonds

No. of bargains included 570

Agricultural Mortgage Corp PLC 7.75% Deb Ssk 1988 - £207.7 (28AUG)

10% Deb Ssk 1992 - £208.90

Cycle Port Authority 4% Int Ssk - £22

Scottish Water 10% Deb Ssk 1992 - £216.5 (28AUG)

Foreign Stocks, Bonds, etc (coupons payable in London) No. of bargains included 42

Grainco (London) 0.4% Ln 1910 Ssg Fld Ssk of 1988 - £17.9 (28AUG)

Abbey National Treasury Svc PLC 13.1% Deb Ssk 1988 - £100.0000000000000000 - £201.5 (28AUG)

ASDA Group PLC 4.4% Ln Ssk 2008 - £100.0000000000000000 - £106.5 (28AUG)

Associated Newspapers Holdings Ltd 6% Deb Ssk 2002 - £20 (28AUG)

BP America Inc 8% Gtd Ln 1988 (Gr5000000000) - £202.50

Barclays Bank PLC 12% Ln Ssk 1992 - £27 (28AUG)

Bank of America 10% Gtd Ln 1978 (Gr5000000000) - £201.5 (28AUG)

Bank of India 10% Gtd Ln 1978 (Gr5000000000) - £201.5 (28AUG)

Bank of New York 10% Gtd Ln 1978 (Gr5000000000) - £201.5 (28AUG)

Bank of Singapore 10% Gtd Ln 1978 (Gr5000000000) - £201.5 (28AUG)

Bank of South Africa 10% Gtd Ln 1978 (Gr5000000000) - £201.5 (28AUG)

Bank of Western Australia 10% Gtd Ln 1978 (Gr5000000000) - £201.5 (28AUG)

Bank of Western Europe 10% Gtd Ln 1978 (Gr5000000000) - £201.5 (28AUG)

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LONDON STOCK EXCHANGE Dealings

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LONDON STOCK EXCHANGE

Late support leaves Footsie higher

WEAKER sterling, particularly against the dollar and the Deutsch, failed yesterday to disturb a London equity market that grew in confidence as the session wore on. At the close, the Footsie 100-share index posted a 9.2 gain to 2,628.8, building on the rise established earlier in a trading week shortened by the bank holiday.

Footsie has risen rose strongly for three of the four trading days, realising a gain of 76.4 points, or 3.7 per cent over a week that has seen no change in the tense situation in the Gulf but has witnessed an abrupt decline in sterling. The pound, heavily supported in recent months and particu-

Account Dealing Dates			
First Dealings	Sep 20	Sep 24	Sep 24
Options Expiry	Sep 20	Sep 24	Sep 24
Options Expiry	Sep 20	Sep 24	Sep 24
Options Expiry	Sep 20	Sep 24	Sep 24
Options Expiry	Sep 20	Sep 24	Sep 24
Options Expiry	Sep 20	Sep 24	Sep 24
Options Expiry	Sep 20	Sep 24	Sep 24
Options Expiry	Sep 20	Sep 24	Sep 24
Options Expiry	Sep 20	Sep 24	Sep 24
Options Expiry	Sep 20	Sep 24	Sep 24

proved short-lived as modest support for a number of international stocks saw the Footsie recover from an initial fall of almost 10 points to positive territory by midday.

The afternoon session brought a flutter of nerves when Wall Street came in easier. But the damage to the Dow was short-lived, and the index was virtually level near the closure of London - and this gave heart to the UK market which promptly put on another spurt to settle at the day's best level.

Market strategists were impressed with London's latest display of strength which has repaired some of the damage

wrought by the Gulf situation. But it was also stressed that the week-long rally in UK equities has taken place in very thin trading conditions. Turnover yesterday came out at 367.5m shares, slightly down on Thursday's 381.7m but up on Wednesday's 286.5m.

Oil shares were among the day's best performers as they responded to the latest rise in crude oil prices. Despite OPEC's recent agreement to pump more crude to help reduce the shortfall brought about by the UN trade embargo on Iraq and Kuwait. The sector was given an additional boost when County NatWest issued a strong buy

recommendation for BP, Shell and Ultramar.

Dealers reported heavy turnover in the banks sector where Lloyds shares were a weak feature. There was welcome relief for Polly Peck whose shares staged a sustained rally after good overseas support. Building stocks suffered from analysts' downgraded profits forecasts while selling pressure in property issues shifted to second-line stocks. Rank Organisation shares lost further ground reflecting growing concern over its Mecca Leisure acquisition. Television stocks were hit by a bearish circular issued by stockbroker Hoare Govett.

Lloyds out of fashion

A number of factors combined to leave Lloyds Bank shares sharply lower against the sector and the wider market. Some specialists pointed to speculation that the bank has a large loan exposure to Mr Larry Goodman, the Irish businessman whose food companies have been badly affected by the crisis in the Gulf. Secondly, a line of stock, believed to be in excess of 1m shares, is in the market.

A further unsettling factor was a profits downgrade by Smith New Court, BZW also lowered their expectation for the bank's profits in a general reworking of estimates for the banking sector.

One analyst, however, said that the Lloyds loan exposure to Goodman was "no more than £30m, not that big and certainly not big enough to be responsible for wiping off some £140m from the company's market capitalisation." At the close Lloyds were 11 lower at 274p after turnover of 2.2m shares.

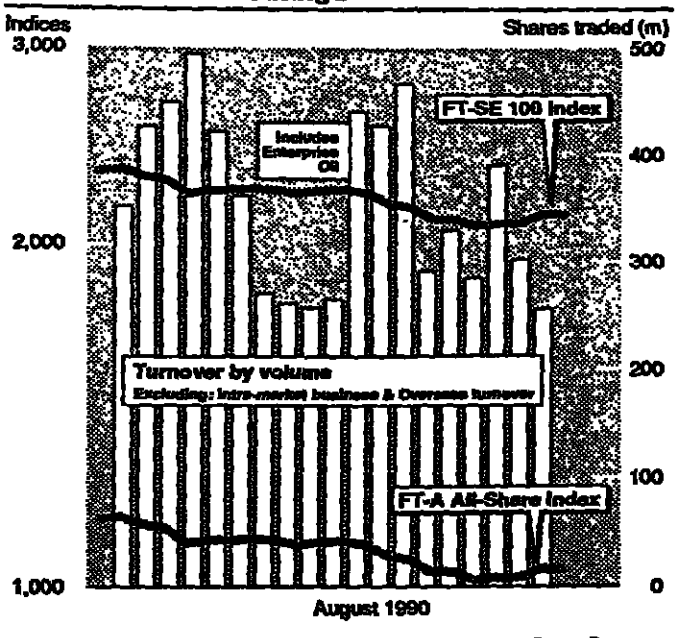
Hopes dashed

Early buyers of Greenall Whitley lost out yesterday by heading speculation that the company was about to sell its brewing operations. Leading names such as Allied-Lyons and the Canadian group Labatt were reported to be prospective buyers, and Greenall Whitley sprang forward to 387p.

However, Greenall announced later that the possibility of such a sale had been thoroughly investigated, but a decision had been made to close brewing operations and enter into agreements for the brewing of both its own brands and a variety of guest ales and lagers. Allied-Lyons is the chosen main supplier with a five-year contract.

The move should result in a cash flow injection of some £44m over a three-year period and will also enable the company to concentrate on its

London Stock Exchange



retail activities. The redemption

at par of two mortgage debenture stocks was announced.

Mr Neil Scourse of BZW thought the deal very interesting because it was the first under the new ground rules for the industry, while Michelle Proust at County NatWest said it was strategically the right decision. But some investors took the view that the news might not have an immediate impact on the shares and the price slipped back to 339p, a gain of only 3 on the day.

Barratt worries

Growing concern about the possibility of Barratt Development cutting or even passing the deal dividend when the housebuilding group announces annual results on September 19 put the shares under pressure. They closed a net 6 off at 154p, having been as low as 152p.

There were reports in the market that the Barratt board was split as to the level of the dividend, and also on the question of write-offs on the group's land bank. However, specialists pointed out that Barratt maintained its dividend in 1989, dipping into its reserves, when the group's business was

last hit.

The market also picked up the scent of a bearish circular being prepared by Robert Fleming, the security house. Mr Peter Jones, building analyst at Flemings, conceded that a sell note on Barratt, concentrating on cash flow and the group's "precarious position," would reach clients on Monday morning.

Guardian Royal Exchange (GRE) underperformed composite insurers, upset by the big loss announced on Thursday and were only held up, dealers said, by vague hopes that the company could well attract a takeover bid in the run-up to 1992. At the close GRE were 3 cheaper at 189p on turnover of 2.4m shares.

Legal & General and Prudential stood out in a generally easier life assurance sector, after one top US securities house was said to have issued a bullish note on the shares. Legals put on 3 to 384p during volume of 780,000 shares while Prudential added 4 at 216p on 3.3m.

Farman was hit by worries over the increasing price of bitumen and unconfirmed reports that Cazenove, the brokers, had downgraded the stock. The close was 10 down at 234p. Alfred McAlpine con-

tinued the retreat initiated by the mid-week warning on second-half profits, ending at 276p for a three-day drop of 55.

Polly Peck gained 15 to 291p as it continued to recover from the low levels touched earlier in the week. Turnover, at 14m shares, was heavy as strong buying was sustained ahead of the interim results, due on Monday. Analysts expect profits of £95-100m compared with £64.4m last time, although there was some talk of profits in excess of £100m.

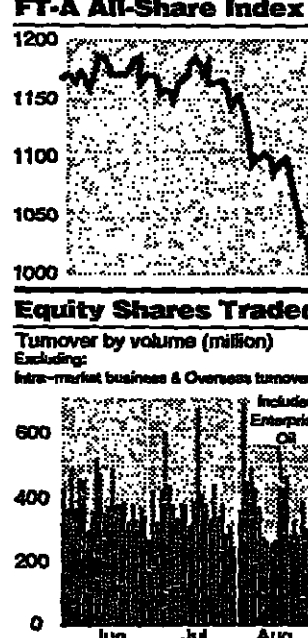
Dalgety rose 11 to 359p on two broker's recommendations. Smith New Court and County NatWest said Dalgety was a good defensive investment ahead of the final results on September 17. Warburg said Dalgety had lagged Northern Foods and A.B. Foods, while County said the sale of part of its stake in Dalgety Farmers would allow a reduction in the tax charge.

Racal rose 8 to 172p after UBS Phillips & Drew reiterated its buy recommendation. Mr Adam Quinton of UBS said: "It's been one of the worst performing Footsie stocks during the Gulf crisis and for no good reason. Racal has fallen too far." The shares were also lifted by speculation that Cable and Wireless may take a stake.

A firmer oil price and County NatWest's restatement of its buy recommendation for the oil majors lifted BP 8 to 364p but left Shell unchanged at 472p. Ultramar rose 10 to 359p. County said a military embargo in the Gulf would lead to a shortfall in oil supplies which could keep oil prices high for "some time to come." Indeed, over the next two to three weeks it expected a sharp tightening of supplies to the oil market. Ultramar was also supported by the US dollar's appreciation against sterling over the past two days. "Ultramar is geared virtually 100 per cent to the dollar," one analyst said.

Properties remained uncertain but another favourable recommendation pushed British Land higher 7 higher to 279p. Kleinwort Benson told clients that the shares look attractive relative to other property majors for several reasons. Among those given are the group's minimal exposure to UK development, the reasonable prevailing discount

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)

Excluding: intra-market business & overseas turnover

to net asset value and gearing of under 60 per cent, which would make Lands a major beneficiary of lower interest rates.

The London Broadgate developers came under renewed pressure on revived fears about the sale of phase six of the luxury complex and Rosehaugh fell 8 to 102p while Stanhope lost 5 to 97p.

The problems at Mecca Leisure acquired earlier this year by Bank Organisation contin-

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (p) (1) BARRATT DEVELOPMENT (2) BARRATT DEVELOPMENT (3) BARRATT DEVELOPMENT (4) BARRATT DEVELOPMENT (5) BARRATT DEVELOPMENT (6) BARRATT DEVELOPMENT (7) BARRATT DEVELOPMENT (8) BARRATT DEVELOPMENT (9) BARRATT DEVELOPMENT (10) BARRATT DEVELOPMENT (11) BARRATT DEVELOPMENT (12) BARRATT DEVELOPMENT (13) BARRATT DEVELOPMENT (14) BARRATT DEVELOPMENT (15) BARRATT DEVELOPMENT (16) BARRATT DEVELOPMENT (17) BARRATT DEVELOPMENT (18) BARRATT DEVELOPMENT (19) BARRATT DEVELOPMENT (20) BARRATT DEVELOPMENT (21) BARRATT DEVELOPMENT (22) BARRATT DEVELOPMENT (23) BARRATT DEVELOPMENT (24) BARRATT DEVELOPMENT (25) BARRATT DEVELOPMENT (26) BARRATT DEVELOPMENT (27) BARRATT DEVELOPMENT (28) BARRATT DEVELOPMENT (29) BARRATT DEVELOPMENT (30) BARRATT DEVELOPMENT (31) BARRATT DEVELOPMENT (32) BARRATT DEVELOPMENT (33) BARRATT DEVELOPMENT (34) BARRATT DEVELOPMENT (35) BARRATT DEVELOPMENT (36) BARRATT DEVELOPMENT (37) BARRATT DEVELOPMENT (38) BARRATT DEVELOPMENT (39) BARRATT DEVELOPMENT (40) BARRATT 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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs C1000H
80 Holdenurst Rd. Botolphclaydon

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GUIDE TO UNIT TRUST PRICING

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Continued on next page

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US MARKETS (3pm)

31 Kroner + or -

	300	5
Gr 1 (Prod)	300	5
Gr 2 (Prod)	300	5
Gr 3 (Prod)	300	5
Gr 4 (Prod)	300	5
Gr 5 (Prod)	300	5
Gr 6 (Prod)	300	5
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	2004	+ or -
Age	7.10	+0.06
Sex	2.72	+0.01
Age ²	5.38	+0.02
Age ³	0.98	+0.04
Age ⁴	0.91	+0.03
Age ⁵	2.00	+0.04
Age ⁶	2.07	+0.03
Age ⁷	2.15	+0.05
Age ⁸	2.61	+0.05
Age ⁹	1.58	+0.1
Age ¹⁰	8.50	+0.01
Age ¹¹	4.95	+0.01
Age ¹²	2.55	+0.15
Age ¹³	1.89	+0.01
Age ¹⁴	4.05	+0.02
Age ¹⁵	3.45	+0.01
Age ¹⁶	5.10	+0.02
Age ¹⁷	3.45	+0.1
Age ¹⁸	1.65	+0.02
Age ¹⁹	1.61	+0.01
Age ²⁰	2.5	+0.06

	12.20	+0.2
	12.60	+0.2
	13.00	-0.1
	23.10	-0.2
(al)	14.20	
(d)	14.70	+0.2
	1.35	
	1.25	+0.03
	2.5	
ak	20.60	
	5.95	+0.13
e	.98	
	8.30	+0.85
	15.90	-0.2
	10.70	-0.1
	8.90	-0.05
	7.70	-0.1
ra	4.60	-0.02
rs	5.35	-0.1
ts	4.15	+0.11
s	6.20	+0.15
	3.10	
	12.30	
	1.16	-0.02
r	2.35	-0.02
v	1.62	+0.02
	32.75	+0.72
	15.70	-0.2
	3.85	
nt	9.75	-0.05
	6.50	-0.05
	16.40	-0.05
	4.36	-0.05
	4.10	-0.05
bo	2.05	
	17.00	-0.3
	7.30	-0.05
	8.30	+0.05
	7.85	-0.05
z	4.20	-0.02

	MVR	+ or -
1	2.66	+0.2
2	15.40	+0.05
3	5.20	+0.05
4	12.20	+0.1
5	2.08	+0.04
6	1.19	+0.1
7	1.9	+0.01
8	4.14	+0.08

	SS	+ or -
1	4.12	+0.06
2	10.20	+0.2
3	7.03	+0.1
4	2.36	+0.2
5	4.92	+0.22
6	6.55	+0.2
7	6.20	+0.15
8	4.60	+0.04
9	15.90	+0.2
10	7.00	+0.05
11	1.89	+0.11
12	3.20	+0.1
13	5.70	—

on this page are as quoted on
exchanges and are last traded
available. * Dealings suspended.
† Ex scrip issue, ‡ Ex rights.

INDUSTRIALS (Miscel.)—Contd | INDUSTRIALS (Miscel.)—Contd

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MOTORS, AIRCRAFT TRADES

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1990	Stock	Price	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	9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Soviet President hails 'momentous' meeting with representatives of the republics

Gorbachev claims 'understanding' will hold union together

By Anatole Kaletsky in Moscow

PRESIDENT Mikhail Gorbachev said he was confident the Soviet Union would be held together as a single economic and political unit as a result of a "momentous" meeting held in the Kremlin yesterday.

He told a press conference the country could be restructured into a "single economic space" and a "democratic unity of co-operative peoples" following an understanding reached by representatives of all the Soviet Union's republics.

"I think this session could be called the most important event in all the years of perestroika," Mr Gorbachev said.

He was referring to a joint meeting of his Presidential Council and the Council of the Federation, which represents the Soviet Union's constituent republics. The meeting was convened on Wednesday after a reconciliation between the Soviet president and Mr Boris Yeltsin, the Russian leader for years considered his main rival.

The session was intended to

generate a nationwide consensus on the two main issues of Soviet life - the transition to a market economy and the creation of a new relationship between the Union and the increasingly fractious republics. A third equally urgent issue was the need to stabilise the economy and reduce ethnic strife, Mr Gorbachev said.

On all of these questions, there was "a united understanding of the position and above all of the need to act," he said. Just how solid that unity is should emerge today, when Mr Yeltsin holds his own press conference on the past week's events.

Mr Gorbachev said there was broad agreement on three specific areas. The meeting decided to push ahead with the next phase in drafting a new union treaty, creating a committee consisting of Mr Gorbachev, Mr Yeltsin and the top leaders of each of the other republics and autonomous regions. The implication that all the republics have agreed to join this committee suggests a

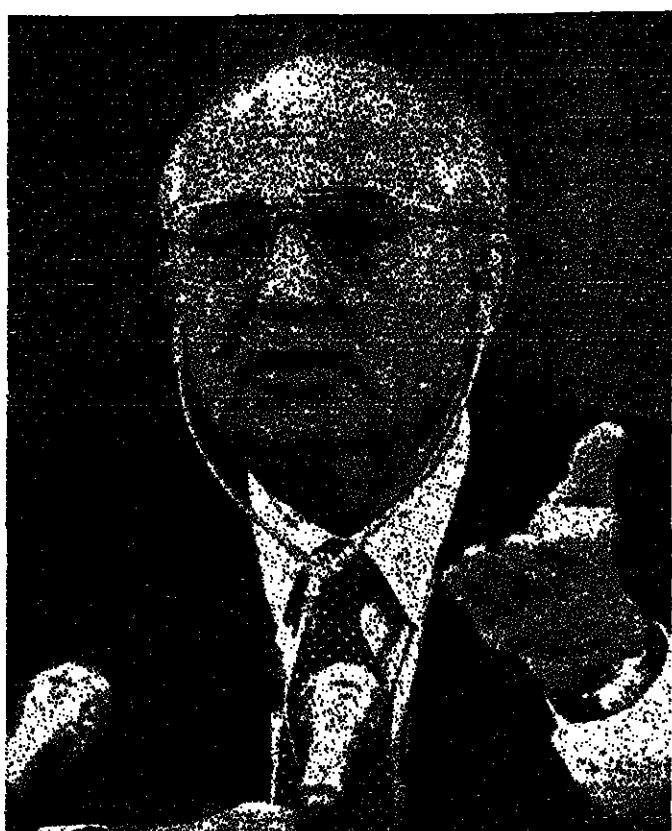
possible breakthrough in the Soviet government's relations with Lithuania, Armenia and other breakaway republics.

An urgent economic programme for the creation of a market system was presented to the meeting. Mr Gorbachev said finishing touches were still required before the plan was made public, but he set a deadline of one week.

The plan would then be debated by each of the republican parliaments, modified if necessary, and enacted in a presidential decree.

Mr Gorbachev also said everyone agreed on the need for immediate economic stabilisation before longer-term reforms could be implemented. This stabilisation would include measures to "tie up" surplus monetary savings and administrative action to boost the supply of consumer goods.

He admitted that four of the most difficult economic issues had still not been settled: price reform; stabilisation measures; taxes; and foreign exchange policy. The last two issues



Mikhail Gorbachev set a deadline of one week for the publication of plan on the creation of a market system

have been particular bones of contention between the Union government and the republics. Several republics, led by Russia, have claimed the sole right to levy taxes and have said they would take over responsibility for the Union's foreign transactions and currency reserves.

However, Mr Gorbachev played down these disagreements. "There was a clear understanding that we could emerge from our difficulties only through co-operation - we will have one currency, one customs service and one system of banks," he said.

THE LEX COLUMN

World markets stand easy

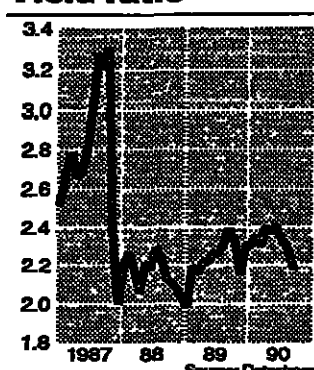
For the first time since the Gulf crisis began, the world's equity markets have taken a welcome breather this week. The steady decline in bond and equity prices has been halted; oil prices have fallen back to the levels of a fortnight ago; and the dangerously rapid rise in sterling has been reversed. Turnover has been thin; rumours of early UK entry into the ERM have been unsettling the foreign exchange markets; and share prices continue to be hammered by the downgrading of profit estimates. The signs of a temporary stalemate in the Gulf have been mirrored in world equity markets.

Investors with a historical bent have been casting back to previous incidents such as Suez, the Cuban missile crisis and the Korean War for inspiration about the future direction of share prices. In the last two cases, short sharp declines soon gave way to new highs. But this time round, there is a global bear market; and the Gulf crisis is only accentuating weaknesses that have been evident for some time. The only question is whether it is a long or short bear market; and while there is plenty of room for technical bounces from oversold positions, there is also scope for further disappointment from the Gulf.

The UK equity market still looks cheap. In contrast with Wall Street, price earnings multiples are dead in line with long term averages and the market is yielding 5.3 per cent, or 40 per cent more than Wall Street. Provided sterling does not take off again, this should continue to encourage fund managers to support their home market.

FT Index rose 5.7 to 1,693.6

Yield ratio



Source: DataStream

state-owned foreign businesses making bids for British companies - what Mr Lilley calls "nationalisation by the back door." Nor is he on shaky ground in claiming some jurisdiction. Last year, about two-fifths of Woodchester's group turnover of £124m came from its nine subsidiaries in the UK. But that is the best one can say for the DTL. The Woodchester referral pushes Mr Lilley's free-market dislike for state ownership to the point of neurosis. Woodchester's UK market share is tiny compared with real giants such as Lloyds North Central. Woodchester reckons it has 3 per cent of the UK's small-ticket leasing business and less than 0.75 per cent of the car hire-purchase market. Nor is there a lot of evidence of a French Government plot to colonise the industry. The only other significant French-owned UK leasing business is part of Compagnie Bancaire, which is as private sector as they come, as is, incidentally, Navigation Mixte. Whether or not Mr Lilley has a point about state-owned French financial institutions in the City, Woodchester is the wrong test case.

Greenall Whitley
The decision by Greenall Whitley to pull out of brewing after 200 years offers an interesting insight on the industry's thinking. For Greenall itself, the move seems wholly rational. The UK's seventh biggest pub owner has no business denying its customers the beers they actually want, at any rate, not for the sake of a commodity brewing business running at only 60 per cent of capacity in a chronically over-supplied market. But it is curious that Greenall should have found it more economic to close the breweries than find a buyer. Plainly, thoughts of foreign brewers snapping up UK capacity are premature.

The closures will take out some 5 per cent of UK ale capacity and perhaps 10 per cent of the overall brewing surplus. Plainly, much remains to be done; but for those less obviously in no man's land than Greenall, everything waits on the Monopolies Commission's views on the Grand Met/Courage deal in a few weeks' time.

For Greenall itself, the result of closing two breweries and shedding 700 workers is a cash inflow of £44m and a £48m book write-off. Several of its bigger rivals doubtless wish they could get out so cheaply.

August's petrol-driven 0.4 per cent inflation increase sug-

South Africa's all-white ruling party opens its ranks to all races

By Paul Waldmeir in Durban

SOUTH AFRICA'S ruling National Party, which created the apartheid system, is to open its ranks to all races for the first time since its formation in 1914.

Mr F.W. de Klerk, South African President and National Party leader, yesterday proposed that the all-white party abandon segregation to prove that "racism and racial discrimination in South Africa is gone forever."

Enthusiastic delegates at the party's Natal provincial congress greeted the resolution with a standing ovation and approved it unanimously.

Mr de Klerk's Government has repeatedly said it would abandon apartheid, which remains in force in residential areas, land ownership and education.

However yesterday's decision, which must be ratified by three other provincial congresses to be held before the end of next month, marks an important shift in strategy.

Senior Nationalists say the party would have had a limited political future as a whites-only grouping in a post-apartheid South Africa. The decision to open membership to all races is aimed at capitalising on substantial non-white support for the party, and especially for Mr de Klerk, demonstrated repeatedly in public opinion polls.

The most recent poll, carried out in July by Market Research Africa, found that 10 per cent of black South Africans favoured the National Party, against 64 per cent for the African National Congress.

Mr de Klerk's personal popularity was higher, with 22 per cent of blacks saying they would vote for him as President against 58 per cent for Mr Nelson Mandela, the ANC leader. Coloured and Indian support for the Nationalists, which was not measured, is also believed to be substantial.

The poll concluded that, with 46 per cent of whites supporting the Nationalists, the party could have a political future even under a system of universal adult suffrage which would yield a large black majority in a country of 30m blacks and only 5m whites.

Mr de Klerk said yesterday the move would help the ANC enter into alliances with other political parties, although he carefully skirted the issue of whether the Nationalists

would ally with the Inkatha Freedom Party of Zulu Chief Mangosuthu Buthe, or with the ANC.

A motion calling on the party to form an alliance with Inkatha was withdrawn without debate.

The two-day Natal congress, the first of four annual provincial gatherings, demonstrated surprising unanimity in spite of the radical nature of political reforms instituted since the general election last September.

Delegates after delegates spoke in favour of the reforms and many said the changes had made them feel "proud to be Nationalists," with several saying they could now "walk tall as South Africans".

Pact ends Soweto rent boycott, Page 2

Germany sign unity agreement

By Leslie Collin in East Berlin

EAST AND WEST Germany yesterday signed the treaty clearing the way for German unification in a light-hearted ceremony that brushed aside last-minute quarrels about abortion and secret police files.

The 44-article treaty, which minutely regulates everything from the all-German national holiday on October 3 - the day of unification - to the future of high-performance sport in eastern Germany, was signed amid a clinking of glasses in the Unter den Linden Palace in East Berlin.

Mr Wolfgang Schäuble, the West German Interior Minister, who signed the document with his East German negotiating partner, Mr Günther Krause, the East German State Secretary, said that "peace, prosperity and social justice" would be the hallmarks of life in a united Germany.

He paid effusive tribute to the European Community and the four Second World War Allies for their help in the unification of Germany.

Allied officials said the "2 plus 4" talks on restoring German sovereignty were likely to be completed at a meeting next week in East Berlin. A signing could take place as early as September 12 in Moscow when the foreign ministers of the two Germanys and the four Allies are scheduled to meet.

Chancellor Helmut Kohl did not attend the ceremony.

Late-night deliberations in Bonn on Thursday had overcome lingering disputes about the treaty.

The treaty's first article proclaims Berlin to be the capital but notes the seat of government will be decided later by the all-German parliament elected on December 2.

West Germany's tried-and-proven Basic Law (constitution) will be adopted by the five newly-created Länder (states) of eastern Germany.

The treaty also clears up the vexed question of property rights and Mr de Mazière said this would trigger investments in eastern Germany and help create 1.2m jobs.

Referral of French bank could spark row

By Richard Evans

A DIPLOMATIC row could develop following the surprise referral yesterday to the Monopolies and Mergers Commission by Mr Peter Lilley, Trade and Industry Secretary, of a significant share stake by a French bank in an Irish-based company with financial interests in Britain.

Mr Lilley announced he had decided to refer the acquisition by Crédit Lyonnais, the state-owned French bank, of a 45 per cent share stake in Woodchester Investments to the MMC, in spite of an earlier recommendation by the Director General of Fair Trading that there should be no referral.

In December, Crédit Lyonnais bought the 29.8 per cent stake in Woodchester, a Dublin-based leasing and credit finance group, held by British & Commonwealth Holdings, the collapsed UK financial services group, and announced in June it proposed to increase its stake to 45 per cent.

It is very unusual for the DTI to overturn a recommendation of the OFT on a merger or big share acquisition.

The main reason for the change of mind seems to be the DTI's concern that the French bank is state controlled. Mr Lilley announced in July that he would be paying close attention to the degree of state control of the acquiring company when deciding whether to refer particular merger situations.

The latest Woodchester accounts, for 1989, show that 43 per cent of the group's turnover of £124m (£110m) came from its nine subsidiary companies in the UK.

Woodchester and Crédit Lyonnais both confirmed their commitment to complete the share transaction "at the earliest possible date." A statement said it had been approved by shareholders and had also been cleared by the UK Panel on Takeovers and Mergers, the Stock Exchange in Dublin and London, the Irish Department of Industry and Commerce, the Central Bank of Ireland and the Bank of England.

Asil Nadir

not such?"

He appears to have been particularly stung at the panel's criticism of his "lack of preparation to normal standards" before informing the board and the wording of Polly Peck's initial announcement of his approach.

He argued yesterday that his consultation with lawyers and financial advisers had been sufficient, considering the very tentative and conditional wording of his letter to the board.

All he needed at that point, he felt, was "an experienced corporate lawyer." The fact that he had never used London solicitors S. J. Berwin before was not relevant, Mr Nadir said. Polly Peck used many advisers and believed in "horses for courses."

He was not consulted about the wording of the board's statement, because he had

Continued from Page 1

withdrawn from the meeting.

Mr Nadir also said that, although talks on financing a bid had not begun when he approached the board, arranging it would have been "easy."

He had received many offers from international banks to participate.

Where the panel's report said "the board understood that the funds were mainly to be provided from Turkey," Mr Nadir said yesterday: "I said that part of the financing could come from Turkey."

Mr Nadir attacked what he called "innuendoes" in some places that he was somehow linked to dealings in Polly Peck shares which have been under investigation by the Stock Exchange's insider dealing group over some months. "It had absolutely nothing to do with me," he said.

The insider group does not look at only insider dealing, most of its cases begin as investigations of suspected share manipulation. Its findings are understood to have gone to the DTI and the Serious Fraud Office. The investigations, which are unrelated to the quotations panel's inquiry into events of August 11-17, are understood to centre on a series of transactions undertaken by Swiss-based companies.

Polly Peck made inquiries 18 months ago to discover the beneficial owners of shares held by a number of companies, including those in Switzerland. Mr Mark Ellis, a Polly Peck director, said that none of the searches had revealed any holdings which were thought of sufficient concern to be reported to the board.

CHIEF PRICE CHANGES YESTERDAY		
FRANKFURT (Dms)		
Aachener Muench	855	+ 60
Kali & Salz	202	+ 9
PWA	284	+ 11
Pfaff	15	-
Schierdorf	735	- 20
Schering	654	- 13
Volkswagen	475	- 15
NEW YORK (\$)		
Aristal-Myers	60 3/4	+ 1/2
Chevron	75 1/2	+ 1/8
Mobil	63 1/2	+ 1/8
Sotheby's A	12 1/2	+ 1/4
Pfaff	15	-
Gen. Electric	61 1/2	- 1/2
LONDON (Pence)		
Bovril	501	+ 10
BP	364	+ 5
Deagel	558	+ 11
Enterprise	665	+ 14
Guinness	712	+ 9
LASMO	487	+ 14
Polly Peck	251	+ 15
Rascal Telecom	290	+ 13
Traf House	229	+ 4

WORLDWIDE WEATHER		
City	Temp	Wind
Agadez	24	W 10
Algiers	24	W 10
Amman	24	W 10
Antwerp	14	W 10
Bahia	24	W 10
Bangkok	24	W 10
Bombay	24	W 10
Buenos Aires	24	W 10
Calcutta	24	W 10
Cairo	24	W 10
Cardiff	24	W 10
Chicago	24	W 10
Colombo	24	W 10
Copenhagen	24	W 10
Dublin	24	W 10
Edinburgh	24	W 10
Geneva	24	W 10
Hong Kong	24	W 10
London	24	W 10
Lyons	24	W 10
Madrid	24	W 10
Manchester	24	W 10
Moscow	24	W 10
Mumbai	24	W 10
Nairobi	24	W 10
Paris	24	W 10
Rangoon	24	W 10
Reykjavik	24	W 10
Rome	24	W 10
Singapore	24	W 10
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Three centuries of City scandals

Has the evolution of tighter laws brought progress in financial conduct? Or have the old pressures of human nature and greed just made corruption more sophisticated? Richard Lambert reports.

IT WAS the financial cause célèbre of the era. In the dock stood the chairman of one of Britain's largest public companies, an eminent self-made man who, by aggressive takeovers, had built his business into a world leader. At his side was a senior partner of a leading City accountancy firm. Both faced criminal charges for their conduct of the business, and one of them was on his way to Wormwood Scrubs.

The year was 1931; the man was Lord Kylsant, chairman and driving force behind the Royal Mail Steam Packet Company. City scandals have become more sophisticated over the years. But the events which led Ernest Saunders of Guinness and two of his associates to prison this week have many parallels in the past.

The tales of greed and lax ethical standards, which figured so strongly in the Guinness story, have been one of the great themes in the history of business corruption. Since the South Sea Bubble in 1720, financial scandals have provoked much public moralising — often without effective action — along the lines that hope pointed at the time.

At length, corruption, like a general flood, did deluge all, and avarice creeping on. Spread like a low-born mist and hid the sun. Statesmen and patriots plied alike the stocks. Peasants and butlers shared alike the law, and judges jotted and bishops hit the law.

And mighty duked packed cards for half-a-crown. Britain was sunk in her's sordid charms.

However, in one respect, the Guinness affair broke new ground. With few, if any exceptions, previous



The ascent of scams: From left, Sir John Blunt architect of the South Sea Bubble, Jabez Balfour, Lord Kylsant, Sir Denys Lawson and Ernest Saunders

financial scandals came to light only when a company was in serious difficulties. But in the Guinness case, people got into trouble after a business coup which substantially strengthened the company.

The most obvious common pattern among the fallen business idols of the past 300 years was a forceful, even autocratic personality. Their boards of directors may have glittered like Christmas trees with distinguished names, but there was seldom any doubt about who was in charge. Kylsant was such a figure, and so was Sir John Blunt, the driving force behind the South Sea Company. Blunt and his small management committee all but ignored the 33 directors.

Whitaker Wright, who was sentenced to seven years' penal servitude in 1901 for manipulating the accounts of the New Globe finance company, was similarly careful about his choice of directors. One of them, a General Gough-Calthorpe, was asked in a subsequent inquiry whether he had any idea of his duties as a company director. He replied thoughtfully: "As far as I

could ascertain it was to sign my name many thousands of times on share certificates."

Stock manipulation has been a recurring theme, too, with no example more splendidly ambitious than that of the South Sea Company. It hit on the grand idea of taking over Britain's national debt. Everyone stood to make a pile of money out of the transaction, subject to one awkward proviso: the price of the South Sea stock had to keep on rising. A contemporary pamphleteer noted shrewdly that "one added to one, by any rules of vulgar arithmetic, will never make three and a half; and that consequently all the fictitious value must be a loss to some person, first or last; that the only way to prevent it to oneself must be to sell out betimes, and so let the Devil take the hindmost."

But most agreed with Blunt: "Twas his maxim, a thousand times repeated, that the advancing by all means of the price of the stock was the only way to promote the good of the Company." Then the bubble burst, and squadrons of people were seen to have had their

hand in the till.

More commonly, though, prosecutors in financial scandals face a very different problem: at what point does accepted business practice tip over into criminality? Thus the defence in the Kylsant case was that the Royal Mail's accounting practices did not differ in kind from those of many other similar concerns. The prosecutor had some difficulty in tackling this argument. "It is always difficult to know exactly where the line has to be drawn; but notwithstanding that, you can very easily tell whether a case is on one side of the line or the other."

Half a century later, prosecutors ran into similar trouble in a case involving London and County, the failed secondary bank. According to a report in *The Times*: "What concerned the jury was the accepted practice in 1970 of window dressing by companies. At that time, no-one thought the practice dishonest, if not done overwhelmingly." Both defendants were let off.

If you are on trial for a business crime, it is important to get your timing right. Don't get

caught immediately after the public has been hammered by a financial crash. The South Sea directors stood no chance. Lord Moleworth, an Anglo-Irish radical, received loud support in Parliament when he suggested that they should be sewn up in sacks and thrown alive into the Thames. In the event, the penalties were strictly financial. Sir John Fellows, the richest man on the list, had an estate valued at £243,000; he was left with just £10,000. In real terms, that makes the £5m fine levied on Mr Gerald Ronson this week look relatively mild. There was a strong view that Sir John Blunt should be allowed just 1 shilling, but in the end his friends got his allowance raised to £5,000.

Curiously enough, the political climate seems to have surprisingly little bearing on financial crime and punishment, at least not in the way you might think. Conservative governments tend to be sensitive to charges that they might be soft on their friends in the City, of whom they often have few. Labour Governments, certainly those of Wilson and Callaghan, have not been eager to bring in tough legislation to

supervise the City.

Some very racy things went on in the financial boom of the early 1970s, but few top players landed up in court. One who did was Jim Slater, the takeover king. He was prosecuted under section 54 of the Companies Act 1948, which prohibited companies from financing purchases of their own shares. After his acquittal by the Guildhall magistrates, the case was subsequently taken to appeal by the Department of Trade. Slater was eventually convicted on 15 charges, and paid a fine of £15 on each; the maximum penalty would have been £100 a time.

Apart from the timing, the character of the judge can make an important difference to the outcome of a business trial. After the City of Glasgow Bank crashed in 1878, the two most prominent directors were sent down for 18 months while another five got eight months on charges of fabricating the accounts. That was generally thought to be rather lenient sentencing, considering that they had ruined half of Glasgow by their inept management. Their age and gravitas — and the fact that their fraud was not for

personal gain, seems to have saved them from a worse fate.

Whitaker Wright, on the other hand, was much less fortunate in his judge, who was openly hostile. Wright must have known what was coming; he took two cyanide tablets and a fully loaded Smith and Wesson revolver with him to learn his sentence. He opted for the poison.

A much more engaging rogue was Clarence Hatry. He always paid off his creditors when he could, but he had had luck both in his timing — 1930, just after the stock market crash — and in his judge. He might have got away with it but for the enmity of that old tyrant Montagu Norman, the Governor of the Bank of England. He scuppered the financing of Hatry's most ambitious scheme — to create a great new steel combine by taking over the United Steel Companies and United Strip and Bar Mills. Frustrated at every turn, Hatry turned to, well... a little forgery. He had the misfortune to come up against Mr Justice Avory, a noted hanger and dogger. Stating that Hatry had been found guilty of "the most appalling frauds that have ever disgraced the commercial reputation of this country," Avory sentenced him to 14 years' penal servitude.

Happily Hatry was released in 1939. He bought Hatchards bookshop in London, and prospered for a while before running into more disappointments. He was still wheeling and dealing until a few weeks before his death in 1965.

Sometimes, the wrong-doings of big businessmen have prompted rapid changes in legislation. After the City of Glasgow Bank went down, for example, the law was quickly changed to enable unlimited companies to register with limited liability. And when the magnificently named Jabez Spencer Balfour showed what could be done with an imaginative mind and a large building society, reforms were hurried through in the shape of the Building Societies Act of 1894. Balfour, another of those businessmen who regarded his fellow directors as rubber stamps, had hit on the idea of using the assets of the Liberator Building Society which he ran, to finance property companies which he owned. He spent 11 as a model prisoner at Parkhurst, where he was librarian and organist.

Quite often, though, the immediate response to a financial scandal is to say such misdeeds could not occur again, either because the law has already been changed, or because ethical standards have improved. Thus after the Kylsant case, *The Times* wrongly argued that "No real need of amendment (to legislation) has been proved by the present case."

The ethical line was argued, again by *The Times*, in the case of Sir Denys Lawson, the financier and former Lord Mayor of London, who died in 1976 not long after his peccadilloes had been disclosed. These were on quite a scale. In 1972, Sir Denys bought shares from the National Group of Unit Trusts, which he controlled, for about 82p each, and sold them on again within a few months for £8.7p. His estimated net gain was £5m, a sum which compared favourably

Continued on Page VIII

White lies, grey areas, black deeds

IN MY eyes Ernest Saunders stood condemned as soon as he ditched Sir Thomas Risk as chairman-elect of Guinness in the summer of 1986. The reason for my loss of faith was not simply that he was in breach of his word, or that he had upset the Scots. There might have been justifications for such a move. But it seemed to me at the time that Saunders had probably been forced into this desperate action by a simple imperative: that he dared not allow an honest outsider to come in and discover what had been going on.

This is a tough time for defenders of business ethics. Just as the dust was settling this week after the Guinness sentences, two massive Department of Trade and Industry inspectors' reports were published, detailing the systematic and unprincipled looting of the assets of Names at Lloyd's syndicates.

And for those in the City of London who argue that these are fringe matters, involving a few renegade businessmen and insurance brokers, possibly tougher tests lie ahead: the second Guinness action and the Blue Arrow trial will involve a number of City professionals who have been at the heart of the financial markets.

Lawyers have been touring the Square Mills asking practitioners exactly what has been accepted practice. In murky areas such as annuities have of whether new issues have "succeeded" or "failed." They must have been getting some strange answers.

There could be a serious clash of cultures as the inbred attitudes of the financial practitioners come under the sceptical scrutiny of 12 good men and true. The City has always tended to have a much more starry-eyed impression of its own honesty than has the public at large. The Stock Exchange's motto is *My Word is My Bond*; but only to judge by the Guinness affair, because sometimes it is too dangerous to put anything down on paper.

The interface between the man in the street and the professional financial markets has long troubled the regulators. Businessmen operate, essentially, on the basis that you should not tell a lie but, if you can get away with it, you are perfectly entitled to mislead. The difference is not always apparent to the public but it is real enough to practitioners and the point has surfaced, for example, in the current vigorous defence by estate agents of their inalienable right to describe a tiny old crumbling ruin as a compact period residence of character with great potential.

Financial regulators such as the Securities and Investments Board have been drawn to impose a two-tier system. Those practitioners dealing directly with the public, at least those who hold themselves out as being independent advisers, are required to comply with principles such as "best advice" (now being downgraded to "suitability") and to put their clients' interests first

The Long View



Current revelations may puncture the City's exaggerated self-esteem, but they will not particularly surprise the community at large

(whatever that may mean). But in the professional markets the rules are much more liberal, and people are supposed to be able to look after themselves. *Caveat emptor.*

Ironically, at one stage the SIB was dabbling with the concept of a separate so-called "Ronson" category, of private individuals who were wealthy and experienced enough to be treated more like professionals. In their first weekend in jail — not sharing the same cell, I hope — Gerald Ronson and his stockbroker Anthony Parnes may have time to muse on the subtleties of the relationship between adviser and client.

The unpleasant details emerging from the current trials and investigations are not particularly surprising to sceptics who think that you hire a City lawyer not to tell you how to comply with the law but how to get around it. Every few years a new generation of racy operators tests the limit of acceptability, and sometimes overreaches. An air of invulnerability had developed, partly because the Government has promoted unenforceable laws such as that on insider dealing, which apparently people can only be convicted of when they confess. Fortunately, the offences committed in the Guinness affair were mostly of a very simple nature.

The idea that crude criminal sentences could be handed out to business dignitaries comes as a shock, especially to people who had thought that their activities were within the boundaries of accepted practice. But in a court of law financial practitioners are judged by their customers, not by their City peers. You could argue that the very high incomes enjoyed by many in

the City, often the result of effective monopolies or professional restrictions, have amounted to a kind of theft from the community at large.

Now the pendulum has swung in the opposite direction and the more aggressive practitioners are keeping a low profile. A new period of moderation has arrived. But a renewed warning signal has gone out to the public, and that is no bad thing.

The wrong reaction, however, would be the imposition of a new web of codes and laws. Freedom and flexibility can be abused, but they are also fundamental to success. Bureaucratic and legalistic solutions are not compatible with a dynamic economy.

A key point that has emerged not only from the Guinness affair but also from several American corporate scandals has been the immense freedom of action enjoyed by many top businessmen. Huge sums of money are paid out with little constraint or supervision, inviting the creation of slush funds. The chief executive's remuneration package is approved by a non-executive directors' sub-committee consisting of the chief executives of other similar companies. Surprise, surprise, the pay of chief executives is rocketing.

It is much better to rely on people than on laws to keep control of this kind of thing, but you must choose your people carefully. Maybe Mr Saunders did not need the likes of Sir Thomas Risk, but the rest of us certainly do.

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MARKETS

LONDON

An uneasy pause in the barrage of bad news

For the first time since the Gulf crisis broke at the start of August, the middle East has not inevitably been the main story on the newspapers' front pages.

It took a pretty big City scandal - the Guinness Affair - to push President Saddam Hussein to second place on news editors' lists of stories. And if the conflict in the Gulf had not been the main story, the conviction and imprisonment of Mr Ernest Saunders and his fellow criminals could well have been relegated.

The improving newsflow from the Gulf and the agreement by the other oil producing countries to lift their production to offset the loss of supply from Iraq and Kuwait, allowed the equity market to rally last week.

The Footsie index managed a gain of 76.4 points in four trading days to close the week at 2162.8, bouncing back above

2100 on Tuesday, a number which people in the market think is important.

This is not to say, though, that the crisis is over. Markets cannot keep falling forever; kneejerk reactions are replaced by rational consideration; it is too exhausting to remain in a state of panic for long. But those factors do not add up to a reason for investors to be confident if bullets start flying in the Gulf it is a fair bet that among the casualties will be stockmarkets around the world. The nastiest shocks to the world economy in the last 20 years have come from sudden, large oil price rises.

Comparing the Footsie index to the oil price since the Iraq invasion of Kuwait (as the chart does with the oil price scale upside down to make it easier to compare the trends) shows that the two have moved together. Every time the oil price goes up, the mar-

ket goes down and vice versa. This is partly because the same events affect sentiment towards both in opposite ways, and also moves in the oil price directly affect equities.

Sterling, too, is driven by the oil price, since it is regarded as a "petro-currency". The pound has been rising ever since the Iraqi invasion of Kuwait, though it weakened somewhat towards the end of the week after the rise in Japanese interest rates on Thursday. Meanwhile, as the US is a large importer of oil, the dollar has been weak.

The effect of a strong pound on UK equities is always negative. Nearly half of the profits of quoted UK companies are derived from abroad, either from overseas subsidiaries or through exports. Even if it is only a translation effect, a high pound cuts UK company profits.

In Ireland, the appointment

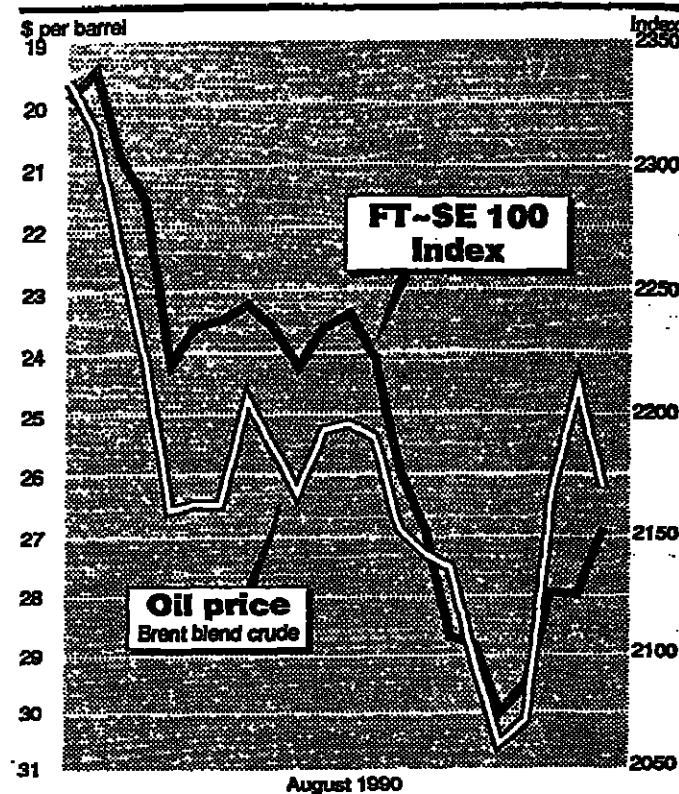
by the High Court of an examiner to oversee the affairs of Goodman International - the heavily-borrowed beef company which suffered a cash-flow crisis as UN sanctions cut off its trade with Iraq - shows what effect the middle East conflict could have on companies. However, Goodman's case is an extreme example, few British companies have as significant an exposure to Iraq and Kuwait.

The pause in bad news from the front, has allowed analysts to ponder again the difficulties facing companies in the domestic market. It is getting on for a year since base rates reached 15 per cent and the economy is now beginning to slow quite fast.

The Confederation of British Industry's monthly review for August, released on bank holiday Monday, said that output was falling, labour costs rising, company liquidations soaring, and export order books down. Even so, the National Institute of Economic and Social Research said on Wednesday that stubbornly high inflation will mean interest rates staying at 15 per cent until the fourth quarter of next year.

It is not surprising that stockbrokers' analysts have been repeatedly downgrading profit forecasts for companies. There are plenty of anecdotes about companies ringing analysts and discreetly coughing down the phone as a warning to reduce forecasts - and a few tales of rather blunter "get your estimate down" messages from groups worried that their shares will plunge if the market is not softened up before their results are published.

The interim results season is just starting and next week a heavy load of company news is due. So far there have been a few disappointments. Everyone expected Guardian Royal



Source: Petroleum Argus

FINANCE & THE FAMILY: THIS WEEK

The seven financial ages of man

Patrick Harverson starts a series on the seven financial ages, plus guides to ease life policy analysis. Page V

Save tax on share options

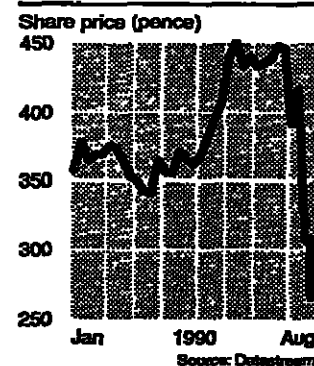
David Cohen tells you how directors can halve their tax bills. Page VI

Minding Your Own Business

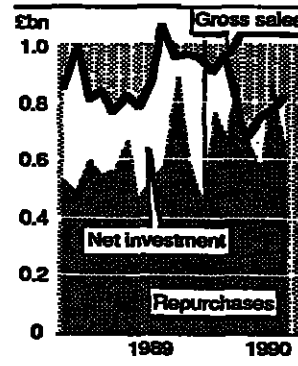
Roy Hodson traces the origins of a fast-expanding outdoor service and Stephen Halliday signposts common pitfalls on the road to success. Page VII

BRIEFCASE: Removing a shareholder - Page VI

Polly Peck



Unit trusts



Polly Peck picks up ahead of interims

Polly Peck, the fresh fruit and electronics group, fell sharply at the beginning of this week in response to the Stock Exchange's strongly worded criticism of the way in which Asil Nadir, the chairman, attempted to take the company private. Polly Peck shares continued to slide after it emerged that the Stock Exchange report had been passed to the Department of Trade and Industry. However, they ended the week above their lows on anticipation of good interim results on Monday. City analysts are expecting something between £95 to £100m, compared to £84.4m at the same stage last year. James McCallum

Sun Life builds in DIY facility

Sun Life, a leader in the individual pension market, has made a number of improvements to its range of pension contracts, including the introduction of a DIY investment facility. Now investors can use their own investment adviser or manage their own portfolio on personal pensions, director pensions and even Section 32 Flexible Transfer Plans where the employee has transferred his pension benefits from his previous employer's company pension scheme. To celebrate the company's successful 10 years in this field, Sun Life is offering an additional 2 per cent unit allocation on single premium payments made by the end of the year on regular premium contracts. Eric Short

Public spurns European trust

The offer of shares in TR European Growth Trust failed to find favour with private investors. The investment trust, which will focus on small and medium-sized European companies, was launched in the midst of depressed world stock markets. Only 5 per cent of the public offer was taken up, but the fund will go ahead because over £35m of shares had already been placed with institutional investors. Philip Coggan

Investment seminars for women

Redmayne-Bentley, a stock broking firm in Leeds, is running a series of seminars this autumn aimed at women who are interested in learning about the stock market and the various forms of investment open to them such as unit trusts, investment trusts and personal equity plans. The first one-day seminar is on September 22 at the Civic Hall in Leeds, starting at 9.30, and costs £12.50 plus VAT, although others are planned for the autumn. Further details are available from Redmayne-Bentley (0532-436941). Sara Webb

Free guide to inheritance planning

Milldon & Co, financial advisers, have produced a free booklet on inheritance tax planning, setting out the basic details. The company, which offers a will-writing service, claims that at present 86 per cent of the people who die, do so without making a will, and often leave behind complicated finances. Copies of the guide are available from Milldon (071-528 9815). Sara Webb

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

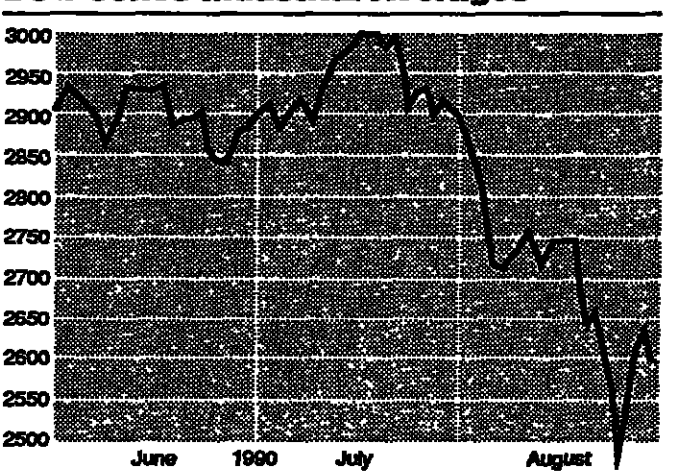
HIGHLIGHTS OF THE WEEK

	Price y/day	Change on week	1990 High	1990 Low	
FTSE 100 Index	2162.8	+76.4	2248.7	2075.0	World markets rally
Ashley (Laura)	62	+15	80	44	Japanese company takes stake
BICC	380	+37	488.2	337	Recovery after good earnings
British Airways	172	+14	240	151.2	Increased fuel costs hedged
Cadbury Schweppes	333	+28	378	303	Strong interim results
Cook (Win)	259	+22	320	232	MMC ruling on acquisitions
GRE	189	-13	267	189	£2m interim loss
Guinness	712	+64	824	626	International blue-chips sought
Hilldown	260	+17	301	225	Broker buy recommendation
McAlpine (Alfred)	278	-53	365	278	Second-half profits warning
Polly Peck	281	-19	462	245	Buy-out attempt dropped
Slough Estates	229	-19	336	221	Brokers downgrade after int. figs.
Speyhawk	110	-153	358	95	Nordstjernan ends bid talks
Truistler House	229	+21	382	208	Recovery after recent downgrades
Wellcome	475	+52	795	418	International blue-chips sought

WALL STREET

Few bargains in the gloom

Dow Jones Industrial Averages



tion. The index of leading indicators, one of the Government's main guides for forecasting the direction of the economy, was unchanged in July, and showed some strength in higher orders for manufactured goods. But July was a different era, the age before the Gulf crisis. Since then US consumer confidence has plunged. The Conference board, a New York research group, reckoned this week that consumer optimism was at its lowest level since the early 1980s because of rising energy prices. With Opec boosting output, and with the Western world in a much better shape to withstand an oil shock than a decade ago, the recent leap in crude prices may not be sustainable. Yet by the time this becomes apparent, the US may well have talked itself into a recession. Leaks from the Federal Reserve's policy-making meeting last week suggest that its monetary policy is unchanged: it is increasingly concerned about the possibility of a

recession, and has given Mr Alan Greenspan, the chairman, latitude for a modest easing in interest rates.

Yet the Fed may not move to cut rates until some of the Middle Eastern uncertainty settles down, and its room for manoeuvre is limited by the weakness of the dollar and the strength of interest rates overseas. In particular, the Bank of Japan raised its discount rate this week in a move to combat inflation, and that will make the US markets even less attractive to Japanese investors, who have played a key role in the US Government bond market in recent years.

The plunge in the equity market over the past month has blown a way a lot of froth, but even now stock prices are hardly undervalued for an economy which may be approaching recession. The price/earnings ratio on the Standard & Poors 500 is around 15.5, well down on the 16 plus level reached earlier this year, but not low by historic standards.

Reduced dividend growth will increase another fundamental measure of analysis, the yield gap, which measures the relative yield on stocks and bonds. Mr Greenspan's room for manoeuvre is limited. This is hardly a market for vigorous bargain-hunting.

Monday	2811.63	+ 78.71
Tuesday	2814.52	+ 2.89
Wednesday	2832.43	+ 17.91
Thursday	2858.33	+ 25.90

Martin Dickson

BRIEFLY

Bermuda-based fund launched

THE first Bermuda-registered mutual fund to be recognised by the Securities and Investments Board has been launched in the UK.

Mutual funds are the US equivalent of unit trusts and the new fund, called Orion, is being managed by Heine Securities, a US management group.

Heine already manages three US mutual funds - Mutual Shares, Mutual Qualified and Mutual Beacon - with combined assets of around \$50m. The fund manager, Michael Price, is a so-called "value investor", and aims to buy stocks which are at large discounts to their asset values.

He also buys shares and bonds of companies emerging from bankruptcy and those involved in financial reconstruction.

Over 15 years, the compound annual rate of return on Heine's oldest fund, Mutual Shares, is 21.7 per cent. Basing the fund in Bermuda brings tax advantages but those worried about the health of the US economy may dislike

the fact that the fund will invest at least 70 per cent of its assets in the US. Others may be deterred by the minimum subscription level of \$50,000.

THE TWO money market funds under the management of NM Rothschild have topped the 50m mark in the wake of high interest rates and uncertain equity markets.

The Guernsey-based funds - Old Court International Reserves and Old Court Currency Fund - previously reached \$1m in the early 1980s when UK investors were able to roll up income into capital gains.

Although that particular tax advantage has been abolished, one of the funds - Old Court International Reserves - still offers a roll-up facility, allowing investors to postpone the paying of income tax until they actually withdraw their cash. The roll-up can be beneficial, for example, to parents investing on behalf of children. If the investment is retained until the child reaches 18, then the child can take out interest up

to the personal allowance (currently £2,005) tax-free. The Old Court funds allow investors to choose their own currencies (18 are available) and switch between them.

MUNICIPAL Mutual, the insurance company, is opening two high street branches in Aylesbury and Dunstable. The branches will offer interest-paying deposit accounts and a variety of other financial products, including house insurance.

Four further branches will shortly be opened in the home counties.

SUN LIFE, a leader in the individual pensions market, has made a number of improvements to its range of pension contracts, including the introduction of a DIY investment facility.

Investors can use their own investment adviser or manage their own portfolio on personal pensions, director pensions and Section 32 Flexible Transfer Plans where the employee has transferred his pension bene-

fits from his previous employer's pension scheme. Sun Life is offering an additional 2 per cent unit allocation on single premium payments made by the end of the year on regular premium contracts.

THE 31st issue of National Savings Certificates start to mature on September 26. Those who hold on to the certificates past the five-year maturity date, will receive only the general extension rate of 5.01 per cent.

However, it is possible to re-invest up to £10,000 of mature certificates in the two most recent National Savings issues - the 35th, which pays 9.5 per cent, and the 36th index-linked, which pays 4.5 per cent over inflation.

SCOTTISH Widows, the mutual life company, is launching a mutual fund for US investors. The fund, Scottish Widows International, will invest at least 65 per cent of its portfolio outside the US and Canada and will aim for capital growth.

SMALLER COMPANIES

Poor outlook for new issues

COMPANIES ARE still fighting shy of joining the stock market. New issues statistics released by accountants KPMG Peat Marwick McLintock last month show that, if investment trusts are excluded, the total number of new entrants to the main market was just 54 between July 1, 1989 and June 30, 1990, down from 59 in the previous twelve months and 93 in 1987-88.

The downturn in new issues is hardly surprising. Even before the Gulf crisis, the stock markets were having a dismal year with the FT All-Share index down over the first half for the first time since 1978.

Jittery stock markets make it very difficult for stockbrokers and securities houses seeking to launch new issues. Investment institutions naturally suspect that shares on offer today might be cheaper tomorrow and decline the offer to act as underwriters or as places.

In addition, the UK economic background has been unhelpful. High interest rates and big wage increases have squeezed corporate margins and made it difficult for hopeful market entrants to produce the kind of rapidly-growing profits record that attracts potential investors. Nor is it possible, given the still gloomy economic outlook, for companies to offer a convincing case that profits are going to rise rapidly.

Just to add to the problems of the new issue market, traditional providers of the mass of market entrants - have been underperforming the rest of the market, largely because of their greater exposure to the domestic market and high interest rates.

Nor has the surge of management buyouts in the mid-1980s led to a rash of floatations, as many expected. Institutional backers have preferred to take the route of a trade sale to realise their investment.

So when might the new issues market recover? Smaller companies are unlikely to get a look-in over the next six months, as the government wheels out its marketing big guns to sell the electricity distributors and generators. The chances must be that the mid-1990s levels of new issue numbers will not be seen again until several years into the

next economic boom.

Meanwhile the new issues market has been relying on investment trusts to keep up the numbers. Many of the trusts are small groups aimed at exploiting investor enthusiasm for emerging stock markets. New entrants include Malaysian Emerging Companies Fund, Five Arrows Chile Fund, and the Hungarian Investment Company. A rough tally by Peat Marwick estimates that £974m was raised during 1989-90, but that only £16m was for UK investment.

Eleven of the funds are specifically focused on parts of Europe, 11 in parts of Asia, and a further four in the Pacific basin. Twenty years ago, the trend was in generalist funds, and then Europe and Japan.

Wider public awareness of investment trusts may have been prompted by the recent promotion of the Association of Investment Trust Companies. This may have helped to narrow the discounts between asset values and share prices, argues Olliff.

Investment trusts have traditionally been targeted to difficult financial markets. Markwick's John Dear, But institutions now have little need for the general trusts which historically have dominated the sector, since they merely replicate their own portfolios. Specialist trusts, however, arguably add value to investment portfolios since they offer expertise which it would be too time-consuming or expensive for institutions to acquire themselves.

Most of the newly floated investment trusts have small market capitalisations. The largest, Drayton Asia Trust, raised £100.5m in June 1989, while a considerable number are clustered at under £10m. That raises questions about the probability of their survival. "I suspect those with a capitalisation under £20m are not viable propositions," says Dean.

Barry Olliff thinks the trend for a large number of new investment trust issues will continue, although the geographical focus will vary. "There will be periods of quiet," says analyst Hamish Buchan from County NatWest, "but the internationalisation of securities will continue."

Andrew Jack

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FINANCIAL TIMES
LONDON'S BUSINESS NEWSPAPER

FINANCE & THE FAMILY

Sarah Webb finds that the building society that lends you your mortgage does not necessarily make the best insurer for your home

Shopping around to keep yourself covered

RICHARD spent years trying to persuade the building society which lent him his mortgage that he had arranged adequate house and contents insurance elsewhere.

The building society was determined to make him buy its own insurance and automatically deducted the premium from his account each year. Every time he telephoned to complain or to ask what was going on, he was passed from one manager to another, none of whom appeared to know about his case. It took him three years to get his money back.

Many home owners feel pressured into taking out insurance from their lender without realising that there may be better and cheaper deals elsewhere.

The lender may lead you to believe that you have to take out the insurance policy it offers - but then it is in the lender's interest to do so because it will earn commission from the deal. It makes far more sense to shop around for your insurance.

You can get your home and contents as an insurance package or buy them separately. What are the points to look for?

With buildings insurance you need to make sure that your house is covered for the cost of rebuilding it completely. The cost of rebuilding is not the same as the value of the property on the open market - which for home owners in the south-east has been falling in the past 18 months. According to Chris McKee of Direct Line, the telephone-sales insurance company owned by Royal Bank of Scotland, in some parts of the country such as London, the market value is far higher than the rebuilding cost,

whereas in the north of England the reverse may be the case.

You can calculate the rebuilding cost with the help of figures put together by the Association of British Insurers (ABI) and the Royal Institution of Chartered Surveyors. You can obtain copies of a free leaflet explaining how from the ABI at Aldermay House, Queen Street, London EC4N 1TT.

Direct Line, which claims to offer considerably lower rates than most big building societies on house and contents insurance, uses its own tables for calculating the cost of rebuilding, based on the age of the building, geographical area and square footage.

You should also remember to make sure that the policy is index-linked so that it keeps pace with inflation.

Check what the policy covers - it should cover the structure of the house and accompanying garages, garden sheds, walls and fences, and insure you against loss or damage to buildings due to fire, lightning, explosions, subsidence, thieves, vandalism, storms, floods and falling trees.

It may also provide cover for alternative accommodation costs in case you have to move out temporarily - for example if your home is so badly damaged that you have to live elsewhere.

Check what is excluded from the policy: for example are there limits to subsidence and landslide cover? Subsidence is a particular problem given that home owners in the UK have lived through a couple of hot summers and mild winters - so look out for cracks on the inside and outside walls of the building.

Remember that there is usually some flexibility on

excesses: for example if you agree to a higher excess, the premium is reduced. Direct Line said that for a flat in the Islington area of London, with a rebuilding cost of £115,000, the premium would be £184 for a standard policy and £201 for full cover (accidental damage), whereas if you opt for a £25 excess, the premiums are £175 and £191, respectively.

For a three-bedroom semi-detached house in Stoke-on-Trent with a market value of £100,000, Direct Line calculates that the rebuilding cost is £82,200.

With no excess, the building premium would be £100, or £109 for full accidental damage cover, which provides wider protection. For example it could include repair of blocked

sewers. If you have a £25 excess, the premium is reduced to £36, or £103 for accidental cover.

To insure a building for all risks, Municipal quotes a rate of £1.53 per £1,000 insured for public sector employees, compared with its normal rate of £1.80 per £1,000. Municipal also claims that its £1.80 rate is a good deal cheaper than the

normal rate charged by other insurance companies of £2.30 per £1,000.

Some companies offer group discount rates to their employees, so check whether your employer offers any special deals.

Remember that most companies reduce the contents insurance premiums if you are part of a Neighbourhood Watch

scheme, and if you have special locks (five-lever mortice deadlocks, made by Chubb and other lock producers) and window fittings which show that your security is good.

For example, Royal Insurance gives a 5 per cent discount off contents insurance if you are part of a Neighbourhood Watch scheme. It also allows a 5 per cent discount if you install an alarm, and 15 per cent off if you have special safety locks. If you choose to pay the first £50-£100 on all claims you get a further discount of 5 - 10 per cent.

Royal Life also offers reduced premiums to the over-50s on the basis that they tend to make fewer claims than the under-50s.

You will need to decide whether you want indemnity cover, which only insures your possessions for what they are worth now, or new-for-old cover, which is more expensive but means that if they are stolen you will be reimbursed for the cost of replacing them with new items.

For example, for the three-bedroom semi in Stoke-on-Trent, Prudential quotes the following contents insurance premiums for £10,000 of goods: for indemnity policies, with a £25 excess, the premium would be £30 (standard) or £28.30 if your security is good.

If you want a new-for-old policy, however, it will cost more than double: with a £25 excess, the premium is £74.70 (standard) and £70.38 with good security.

Then you have the choice of calculating how much it would cost to replace individual items - such as furniture and hi-fi equipment - or you can opt for a policy which gauges how much your possessions are worth on the basis of the number of rooms in your property.

Premiums vary across the country. For example, if you live in the inner city areas of London, Glasgow or Liverpool you are likely to pay the highest premiums because of the high crime rates. Premiums can also change quite abruptly between postcodes. For example, in some parts of Enfield the rates are more than double those in other parts.

You should also notify your insurer if you take lodgers. Some insurers do not adjust the premium if you have a lodger, but would need proof that theft arose through "forcible and violent entry".

Others, for example Prudential, say that they may increase the rate "depending on the set-up". Prudential said it would probably not affect the premium if someone was letting a room in their house to a student, but that it could affect the premium if the owner was letting out rooms as a regular business.

You may also find that if you leave your house empty for a while, your cover could be reduced, so check with the insurer first and notify them if you intend leaving the property vacant.

You should check what is included for cover in your policy, and if necessary extend your cover to include specific items such as freezer contents (for example if the food in the freezer deteriorates due to a power failure), bicycles and money/credit cards. Some policies include cover for goods that are damaged during a removal (although they may need to be notified first), or for replacing locks if your keys are stolen.

Remember that while telephone sales may prove more convenient when it comes to arranging your insurance, you should shop around.



Philip Coggan looks at split-level trusts

An unexplored private investor income source

TOO many investors ignore the investment trust sector, one of the best vehicles for private shareholders ever devised. In particular, those investors who are interested in income may not know that there is a substantial group of trusts specifically devised to meet their needs.

The idea of split-level trusts has been around since the 1960s. In their simplest form, the trusts are divided into capital shares (which enjoy all the capital growth) and income shares (which are entitled to the dividend stream from the fund's investments).

Other more sophisticated instruments have been developed on these simple variants.

Income shares are similar, in some ways, to the preference shares issued by UK companies. They must be repaid - at a fixed price - before capital shares if the trust is wound up. But unlike preference shares, investment income shares offer holders the prospect of steadily growing income payments.

This growth is due to the fact that the companies in which the trust invests are likely to increase their divi-

dend payments on a regular basis. Over the past ten years, the compound average dividend growth rate achieved by investment trust income shares was just under 12 per cent.

In addition, the increasing income stream means that the capital value of the shares is likely to build - during the early life of the shares at least. Take, for example, the M & G Dual Income shares which were issued in 1971 at 100p. They are currently trading at around 433p and their last two net dividend payments were 51.5p, more than half the original issue price.

However, capital growth will not continue for ever. As the redemption date approaches - M & G Dual Income shares will be redeemed in December 1996 at 100p - so the share price should drift back towards the redemption price.

There are two main risks involved.

The first is that dividend growth will fail to match inflation. This is possible in any given year - indeed it might well happen in 1991 - but over the longer term dividends tend

to outpace prices. In any case, few income-generating investments guarantee to beat inflation.

The other main risk is that the assets of the trust will fall so sharply that there is no backing for the income shares. However, this would require such a sharp fall in asset values - 90 per cent in some cases - that it seems unlikely.

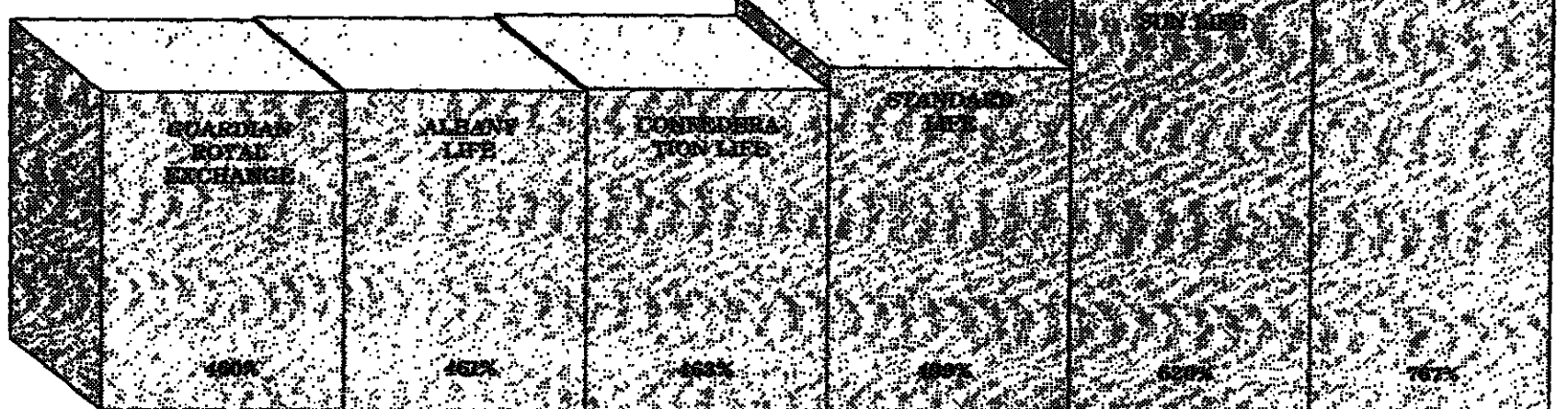
Those investors who are prepared to take a greater risk might be interested in investing in another type of split-level share, misleadingly called ordinary income shares.

They have no fixed redemption value and are only entitled to the surplus assets of the trust after all other charges are paid.

This creates a greater chance that the ordinary income shares will eventually be worthless, and given the recent state of equity markets, ordinary income share prices are currently at a low ebb. But on reasonable assumptions about asset growth, the capital return on such shares could be very healthy and the growing income stream remains an attraction.

If you are about to invest in a pension, make sure you look at long term performance.

Top 6 Unit Linked Managed Pension Funds Unit price increase, offer to bid, over 10 years to 1st June 1990.
*Others listed below.



Over 5 years to 1st June 1990, the Target Managed Pension Fund unit price increase, offer to bid, was 77%. Source: Micropal Ltd 1989.

*Other managed pension funds unit price increases are: Sava & Prosper, 410%; Hill Samuel, 369%; Allied Dunbar, 375%; Equity & Law, 368%; London & Manchester, 355%; M & G Pers, 355%; Prudential Holborn, 345%; Barclays Life, 340%; Legal & General, 337%; Property Growth, 327%; Cannon Assurance, 289%; Laurentian, 278%; Standard, 276%; Abbey Life, 274%; MI UK, 272%; Stalwart Assurance, 265%; Nelex, 261%; City of Westminster, 225%.

When you invest in a pension plan, you are investing for the future - you expect to benefit in at least ten years, maybe twenty, if not more.

What happens in the short term is not as important as what happens in the long term.

With the Target Managed Pension Fund we have proven ability over the long term. Not that our short term performance is lacking (in fact, over the last few months we have consistently been in the top group of performers) but, like any investment, there are occasions when unit prices can go down as well as up. The Target Fund, for example, suffered badly in the Stockmarket crash of October 1987. The real test of any management group is how well it can respond to such events.

At Target we undertook a thorough review of the Fund's investments and revised our investment strategy, so that the portfolio now contains an actively managed selection of larger

company stocks from world markets. The Fund can invest in UK and overseas companies, fixed interest securities, property and in secure bank and cash deposits.

We are confident that with this strategy we will keep the Target Managed Pension Fund in the forefront of the long term performers. Though obviously we are pleased to be No 1 over ten years, the real long term objective is consistent good performance.

Pensions are one of the most important investments for personal and corporate financial planning. If you are self-employed or the director of a private company, you will no doubt know all about the tax advantages of investing in a pension plan. But if you have any questions, we will be only too pleased to answer them.

Unit prices can go down as well as up. Past performance is not a guarantee for the future.

To find out more about the Target Managed Pension Fund, we recommend you consult your financial adviser. If, however, you wish to contact us direct, just complete the coupon below and send it to National Financial Management Corporation, the Target Group company that deals directly with clients.

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The premiums of war

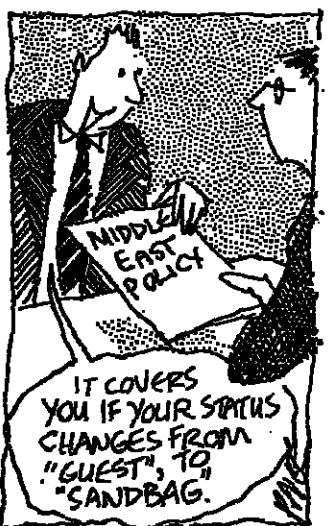
THE GULF crisis has left many expatriates and their employers wondering how to guard against the sort of problems now faced by Westerners in Kuwait and Iraq - such as what to do if you are taken hostage or if you have to leave your place of residence in a hurry.

Control Risks, a security firm which specialises in the analysis of political risk and how it affects business interests abroad, says that many of the companies in Kuwait should have been better-prepared for the possibility of an invasion by Iraq. Once the Iraqis had their tanks lined up on the Kuwait border, companies should have issued their employees with contingency plans.

Control Risks also warns that many companies with expatriate workers in other parts of the Gulf, particularly Saudi Arabia, now need to make sure they have adequate precautions for their staff. The areas most relevant are:

• Insurance. Many individuals and companies take out kidnapping and ransom insurance (known as K&R). Such policies do not automatically cover "detention". Those westerners currently taking a compulsory "holiday" in one of Baghdad's five-star hotels have been detained rather than kidnapped.

Since the start of the Gulf crisis, premiums for such insurance policies have soared. Bill Davis, of Cassidy Davis, gives the hypothetical case of a



multinational company with 100 employees in Saudi Arabia wishing to protect \$10m in salaries in case of detention.

Two months ago, the company might have paid a premium of \$50,000. Today it would be nearer \$1m. This would pay out 150 per cent of the salaries at stake, and cover legal fees, accommodation and travel costs.

But in some cases, the insurer may limit how much is paid out per employee, and for how long.

"Kuwait was not a particularly high-risk area, but the Middle East will certainly be looked at far more carefully in future in view of what has happened," says Hampshire.

David Bennett of Willis

Faber warns that in cases where the policy does not include war risks, expatriates in Iraq and Kuwait could face problems making claims - there is some dispute as to whether the situation counts as war.

• Contingency planning. Iraq's invasion of Kuwait took a lot of companies by surprise. But, says Control Risks, companies in the Middle East should now make sure their employees are prepared for the worst - with adequate food supplies, drinking water, jerry cans of petrol, a full tank of petrol in the car, maps, exit visas and an open air ticket in case they have to make a dash.

For the moment, Control Risks says that many companies are keeping key employees in situ, for example in Saudi Arabia and the United Arab Emirates, while recommending that their families stay away from the Middle East.

• Documents. One expatriate, who was outside Kuwait at the time of the invasion, was distressed to find that he had left all his investment paperwork behind. Now he cannot remember what investments he owns or whose products he has bought. It is a good idea to keep duplicates of your essential documents with a bank, lawyer or friends outside the country of residence.

Such precautions should ensure that expatriates in other parts of the Gulf are not caught on the hop by Saddam Hussein.

FINANCE & THE FAMILY

SEVEN AGES

Be young, be foolish, but plan for the future

OVER THE next seven weeks *Finance and the Family* will outline the financial choices that people are likely to face during the different stages of their life. In this, the first of the series, Patrick Harverson assesses the options available to a young, single person in their mid-twenties.

"During the first period of a man's life the greatest danger is: not to take the risk," wrote Søren Kierkegaard, Danish philosopher in 1850. It is an admirable sentiment, but perhaps best not applied to money, especially at the age when the temptation will always be to spend first and ask questions later.

Pensions, mortgages, life insurance, health insurance, savings schemes: few are likely to be high on a list of life's priorities among single, young earners. But for anyone who is keen on organising their personal finances, it pays to take them seriously and start early.

An important first hurdle to be cleared is deciding how to pay for the roof over your head. The traditional view, and one heavily promoted during the past decade, is that nothing beats buying your own home. That is fine if you can afford it, but with interest rates likely to stay high for some time, it can be cheaper and more convenient to rent a flat or house.

However, if you do feel confident enough to take on a mortgage, there are four types available, all of which have their merits for the young house or flat buyer.

■ **Repayment mortgage:** you repay part of the interest and the capital every month until the total capital is repaid by the end of the loan's term.

■ **Endowment mortgage:** you repay only the interest each month and pay a premium towards a life insurance policy which pays off the loan capital at the end of the term.

■ **Pension mortgage:** you repay the interest every month and contribute a sum towards a pension, which pays off the loan capital at the end of the term and leaves you with a pension for your retirement.

■ **Personal equity plan (PEP) or unit trust-linked mortgage:** you repay the interest every month but contribute towards a unit trust savings scheme or personal equity plan, the proceeds from which are used to repay the loan capital at the end of the term.

The mortgage linked to a PEP or unit trust is obviously the riskier vehicle, with the proceeds from the plan determined by stockmarket performance. Should this be more or less attractive to younger mortgage-hunters?

Alisdair Buchanan of Scottish Widows takes the Kierkegaard line and thinks the young are more comfortable with risk-taking. He also argues that if you invest in a PEP linked to a 25-year mortgage at an early age, the risk is spread over a long period, considerably reducing the chances of suffering large losses.

Taking out a pension mortgage should not be regarded as a substitute for a proper pension scheme; the sum you receive on retirement will not match a full pension. The pension mortgage is also rather inflexible. Money in the pension plan cannot be withdrawn until the policy-holder reaches retirement age, which means you are locking the money away for a long period.

As for life insurance itself, advice varies, but a common



argument is that if you are single, in your twenties and with no dependents, there is little point in taking out a life policy because there is no one to leave the money to. However, if you are the forward-looking type, the earlier you take out a life policy the cheaper the premiums will be.

If life insurance seems an unnecessarily gloomy proposition at an early age, making a provision against serious sickness or disability is not. Permanent health insurance is worth considering whatever your age, as it will protect you from financial difficulties if illness or disability prevents you from working.

Pensions, however dull, are important. If you are prepared to put some of your money away for your dotage, then the tax benefits are excellent and you should aim to start as early as possible.

Pensions come from three sources: the state, which provides an old age pension to everyone who has paid national insurance contributions during their working life; your company, which if it runs a scheme will either pay all the contributions to the pension, or share the payments with you; or a personal pension scheme which you contribute to and which is managed by a financial institution.

For a young, single earner, the opportunities outside the state scheme are far more attractive, so it is worth opting out; you can always return to it at a later stage.

A company pension is sensible, particularly if you expect to stay with that employer for a good deal of your career, but take careful note of the terms.

Find out how much your employer contributes, and how much you are expected to put in. If your contributions are a sizeable part of your salary, it might be worth avoiding the scheme as it will tie up a lot of your money too early.

Anyone who expects to move jobs quite regularly might want to avoid a company pension - transferring from one

employer's scheme to another can be costly - and instead opt for a personal pension plan. The advantage of a personal pension is that it provides flexibility (you can move jobs without losing any benefits), and it can be tailored to meet your individual needs. Furthermore, an increasing number of companies are willing to make contributions to employees' personal pensions.

However, not everyone believes a personal pension is the best thing for the young earner. John Upward, senior manager, personal financial planning at National Westminster Bank, says: "It may be more flexible, but once the money is in you cannot get it out. You are better off with something where you can get access to your money. My personal view is that access to funds is better than having it locked up for 40 years."

Whichever pension you choose, get good advice, preferably from someone who is not trying to sell you a particular scheme of their own.

If you have money to spare, high-interest accounts at banks and building societies are solid, safe and give you easy access to your cash. National savings accounts are also worth looking at.

Those with a large amount of capital, or with £50 or so to spare each month, might want to risk the equity market. A Personal Equity Plan offers tax advantages, but it is safest to use the PEP to invest in a pooled fund, such as a unit or investment trust, rather than in a single share.

Borrowing money when you are young is - sadly - not difficult, but full of pitfalls. It is generally wise not to borrow money to maintain a standard of living. It is better to use loans to finance one-off purchases, such as a car. Again take advice: your bank will have a range of loans which should suit most needs. Bank overdrafts can be useful for tidying over temporary difficulties, but make sure you agree terms with the bank beforehand.

WITH-PROFITS life contracts have been available to investors for centuries and with-profit pension contracts for decades. Yet the with-profit concept is still something of a mystery to investors and many advisers.

Investors are looking for the life company which will give them the top payout when their contract matures, while avoiding the risk that the company will overstretch itself and get into financial difficulties in the intervening period.

The problems of United Kingdom Provident Association and London Life are still fresh in the memory. They provide a reminder to many that things can go wrong even with long-established traditional life companies.

Until now, the only sources of information available to investors and advisers were the company accounts, the annual returns to the Department of Trade and Industry and any other data that the company itself provided.

From today all traditional life companies have to provide a "with-profits guide" prepared according to rules laid down by Lauto (the Life Assurance and Unit Trust Regulatory Organisation), the regulatory body which controls the marketing of life assurance.

The aim of the guide is to provide information in a convenient, standardised form on various aspects of the with-profits fund of a traditional life company so that investors and advisers can assess the prospects of the company itself and compare it with other traditional life companies.

There is a general introduction on the purpose of the guide and of the company itself, followed by a broad description of the factors affecting bonus rates. The guide then gets down to the main features of the company.

Section D sets out the investment pattern of the company's with-profit fund over the past five years and its current investment strategy.

Table 1 is taken from the

INVESTMENTS-GENERAL ACCIDENT LIFE

Investments attributable to long term business in the UK	1985	1986	1987	1988	1989
Fixed Interest	31	29	31	29	24
Property	17	15	16	17	18
Equity Shares					
i) UK Shares	43	45	45	44	45
ii) Non UK Shares	3	4	3	4	5
iii) Unlisted Shares	0	0	0	0	1
Other Investments	6	7	5	6	7
TOTAL percent	100	100	100	100	100

INVESTMENTS-SCOTTISH EQUITABLE

Investments attributable to with profits business in the UK	1985	1986	1987	1988	1989
Fixed Interest	7	17	8	5	4
Property	15	12	12	13	12
Equity Shares					
i) UK Shares	41	37	52	50	35
ii) Non UK Shares	25	31	24	26	41
iii) Unlisted Shares	1	0	0	0	0
Other Investments	11	3	4	6	8
TOTAL percent	100	100	100	100	100

Eric Short examines the new 'with-profits' life assurance reports
Guides ease life policy analysis

guide of Scottish Equitable Life Assurance.

It shows the move by the company into overseas equities, a move which is explained in the accompanying discussion of investment strategy.

This can be contrasted with the investment pattern for General Accident Life as seen in Table 2. The company

The aim is to provide convenient information

explains why it has such a high proportion in fixed-interest investments. However, it is for the investor and independent advisers to decide which offers the better bonus prospect.

Section E sets out the solvency margins - put simply, the excess of assets over liabilities, as valued by the actuary - of the life funds over the past five years.

Investors and advisers can assess whether the solvency margin is adequate, particularly in the light of the investment strategy being pursued.

The basis on which the solvency margins are calculated are explained. There is then a description of the interaction

between the solvency margin in relation to the business mix, the bonus philosophy and new business.

The latter is very important since a traditional life company, particularly a mutual company, finances its new business marketing costs from its reserves.

RECENT BONUS POLICY Section F describes the company's recent bonus policy, in particular the relationship between reversionary and terminal bonuses.

While this is useful information, it is rather limited in its significance in that whereas with-profits contracts are long-term in nature, bonus policy can change, sometimes very suddenly.

EXPENSES The information in section G is completely new. Until now no one, not even many of the companies themselves, knew precisely what expenses were being charged against the premiums and against the fund.

One table in the section shows the total expenses over

the past five years and, in particular, the expenses incurred in acquiring new business. The other table shows the effect of expenses on various contracts as a reduction in yield.

POLICY PROCEEDS The final Section I on Policy Proceeds sets out the returns achieved by an investor on policies maturing in the current year. Instead of the monetary figure seen in past performance tables, this section shows the investment yield.

For example, an investor with a maturing 10-year endowment with Scottish Equitable has achieved an annual net yield of 12.7 per cent, after allowing for a reduction of 0.4 per cent in the return for the cost of mortality risks and 2.0 per cent for expenses. Thus the company earned 15.1 per cent after tax on the investor's premiums, from which he received 12.7 per cent.

The annual return on a 10-year pension contract maturing this year was 18.2 per cent after allowing for the effect of expenses of 3.3 per

cent. Here the illustration should have been in monetary terms for the impact of expenses to be seen clearly. But there is enough information here to assess the amount of expenses being taken by the life company and to form a judgment as to whether this is excessive.

The format represents the first attempt to produce a guide. As practitioners get used to working with the guide, pressure will no doubt grow for changes, additions and improvements.

Hugh Scurfield, in his presidential address to the Institute of Actuaries in June, called on actuaries to take the initiative in revising the guide. In particular, he said he would like to see more information on the ability of life companies to maintain their existing bonus rates.

In due course, when more guides are available, we hope to set out more comprehensive comparisons and make further suggestions on how to assess the figures provided.

EFFECT OF EXPENSES

Comparative reductions in yields %	Endowment Assurances		Personal Pensions	
	10 years	25 years	10 years	25 years
General Accident Life	2.0	0.7	2.7	1.3
Scottish Equitable	2.5	1.1	3.1	1.3

WHITTINGDALE
CITY RESERVE FUND

15.34%*

TOP TEN MONEY MARKET FUNDS	CURRENT PROJECTED YIELD °	TOP TEN MONEY MARKET FUNDS	CURRENT PROJECTED YIELD °
WHITTINGDALE CITY RESERVE FUND	15.34*	Royal Trust PPT Cash Fund	15.00
Fidelity Cash Unit Trust	15.15°	Mercury Cash Trust	15.00
Prudential Holborn Cash Haven	15.07	Stewart Ivory Managed Cash Fund	14.97
Smith and Williamson Cash Trust	15.03†	GRE Cash Trust	14.78
Gartmore Cash Trust	15.02	MIM Britannia Cashbox	14.25

* Projected Annual Compound Yield as at 30/9/90 for investors able to reclaim tax. This is after current charges. † = simple yield ° = compounded annual rate ° = Annual percentage rate SOURCE: Financial Times 31/8/90 & Money Management Sep 90

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The Whittingdale Group manages in excess of £1 billion of Gilts, cash deposits and other fixed interest securities in unit trusts and for the Lloyd's insurance market. Three out of the six Whittingdale Funds (including the City Reserve Fund) rank among the ten top performing authorised unit trusts in

the six months to 23rd August, 1990. (Source FINSTAT, offer to offer, no income). There were over 1300 unit trusts in existence during this period. Since launch on 3rd July, 1989 the City Reserve Fund has provided a return of 11.5%. This figure is calculated on an offer to bid basis with income received net of basic rate tax but not reinvested.

Past performance is not necessarily a guide to future returns. Tax rates and reliefs depend on individual circumstances and are subject to change.

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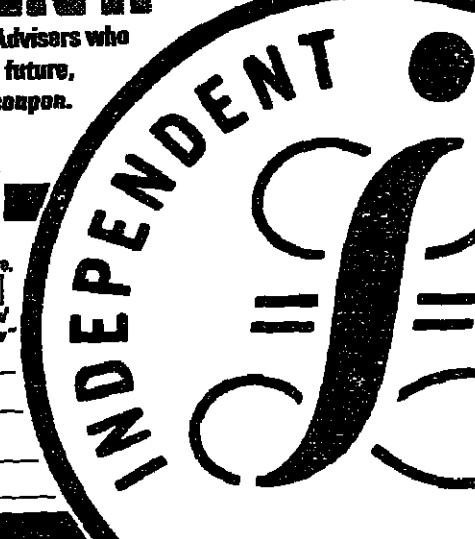
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FINANCE & THE FAMILY

Save tax on share options

DIRECTORS CAN halve their tax bills on share options, from 40 per cent to 20 per cent by the simple device of companies buying back the shares.

However, like most tax-saving opportunities this one can easily backfire. In the worst case, instead of saving 20 per cent tax the executives could end up paying a calamitous 80 per cent rate.

The key to unlocking the Revenue's largesse is the favourable tax treatment of purchases by a company of its own shares. The amount by which the purchase price exceeds the original subscription cost of the shares is taxed as if it were a dividend. This means that the company pays advance corporation tax (ACT) at 33 1/3 per cent and the shareholder receives a corresponding tax credit for basic rate tax but is liable to higher-rate tax on the aggregate of dividend and credit. The net effect is a 20 per cent tax rate as against a 40 per cent CGT liability if the purchaser was anyone other than the company.

How does this work in the context of a Revenue-approved share option scheme? Suppose a director has exercised an option to acquire 100,000 shares in his company at £1 per share and the shares are now worth £2.50 each. He is sitting on a potential £150,000 profit (£1.50 x 100,000) so an ordinary sale will trigger a £60,000 CGT liability. But if the company itself is the purchaser, the focus will shift from CGT to income tax and ACT. The company will pick up an ACT bill for £50,000 (33 1/3 per cent of £150,000) which takes care of the director's basic rate obligations leaving him to pay only 15 per cent income tax on the sum of his £150,000 profit and the £50,000 ACT. That produces a

£30,000 liability - just 20 per cent of his gain. The executive must avoid tax when exercising his option. It will be too late to save tax on disposal if the full 40 per cent liability has already been suffered on exercise.

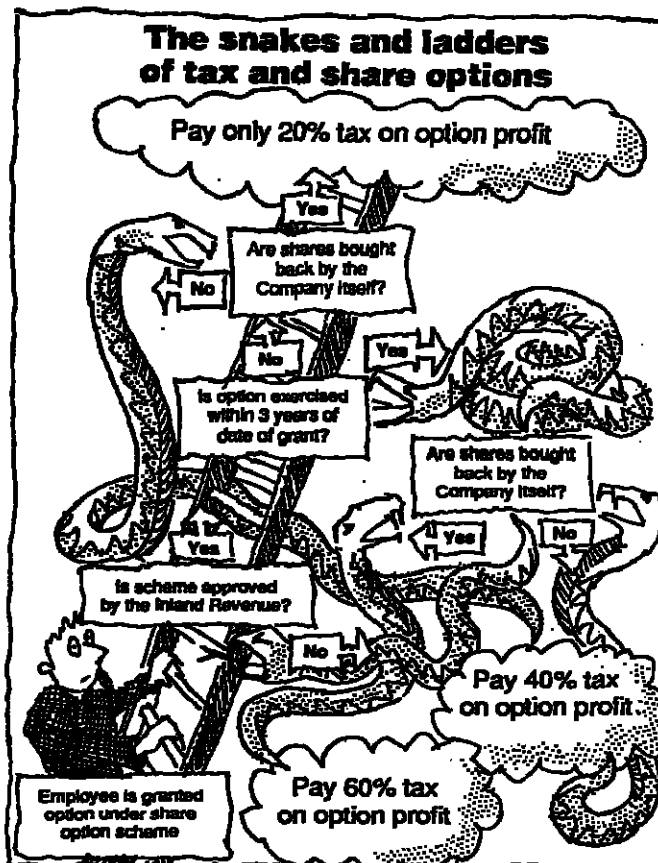
Options granted under schemes which do not enjoy Revenue approval are invariably taxable on exercise. So, a link between a non-approved scheme and an own-share purchase is a complete non-starter. But although an approved scheme is generally an effective tax shelter, the protection will be lost if an option is exercised before its third anniversary or within three years of a previous tax-free option exercise.

Hence, if a company decides to buy back all the shares it has allotted under its approved scheme, executives who fail to satisfy these timing conditions will already have surrendered 40 per cent of their gain before the shares are sold. And that is

Directors can pay far less tax on share options, says David Cohen

unlikely to be the taxman's final word. When calculating the liability on the share sale, no credit will be given for the tax already paid on exercise.

Let us revert to the earlier example, but this time assuming that the option holder exercised his approved option before his third anniversary. That will trigger an immediate income tax bill of £60,000 (40 per cent of his £150,000 profit). But if he then sells back to the company he will still have to



pay £30,000 of higher rate tax as already explained. The Revenue's total haul is £90,000 - a full 60 per cent of the director's gain.

He should have sold his shares to someone other than the company because the tax system does match income tax paid on option exercise against CGT liability on ultimate sale. Having paid his 40 per cent income tax, the executive would then have been absolved from CGT.

At least an executive who falls into the 60 per cent trap will have an available CGT loss. That, however, can only be offset against capital gains, since his share scheme profits are treated as income, the loss will be wasted unless the employee makes capital gains on other transactions in the future.

Two other obstacles are

worth mentioning. First, publicly quoted companies may be stymied by the objections of their institutional shareholders. The Investment Committee of the Association of British Insurers is implacably opposed to selective buy-backs of shares from executives, believing that all shareholders should be given the same opportunity of a tax-efficient exit route. Second, a private company will usually want to set up the buy-back mechanism when it first grants the options as an assurance to the executives that they will be able to cash in their chips in due course. But such arrangements will be hard to reconcile with the Companies Act rules on own-share purchases, any breach of which is a criminal offence. David Cohen is a partner in the City law firm of Paisner & Co

Tax 'quirk' threatens personal pension inheritances

THE Inland Revenue has come under fire from the Association of British Insurers (ABI) over its interpretation of trust law which threatens to nullify the taxation advantages of thousands of personal pension plans.

The dispute concerns personal pension holders who decide not to exercise their right to retire at 55 and continue to work, but who later die before taking up their pension. The interpretation by the Capital Taxes Office (CTO) is that the decision to work past 55 represents a deliberate omission to exercise the right to retire at 55. This means the benefits of the pension written in trust for dependants - and previously protected from inheritance tax - are added to the deceased's estate and become liable to inheritance tax.

Many personal pension holders choose to write the benefits of their pensions in trust for their dependants in order to escape inheritance tax. The CTO interpretation has thrown those plans into turmoil. The ABI has complained to the Inland Revenue. David Barrett, the ABI pensions information manager, said: "We have argued that it is a quirk of law, quite unintended, and socially undesirable. The Government, when it brought in personal pensions, was most anxious that they be attractive to individuals. Even if the Inland Revenue is right, it may not be what the Government intended."

Patrick Harverson

Removing a shareholder

MY WIFE and I have a 70 per cent shareholding in a small UK company making car-repair products. The other 30 per cent is held by a much larger trading company with a Swedish parent. The Swedish company has steadily stonewalled any of our plans over the last four years and has refused to put up any capital for development. At one time it wanted the company wound up as it was "without any future." I was then offered the trading company's shareholding for a nominal £1, provided I settled a debt for some material supplies owed to it. This I did almost 12 months ago, but the shares were never released.

In the past two years, using my expertise and a lot of our own collateral, we have built up the company and it is now in profit. My wife and I do not yet take any salary or benefits, although we both work full-time for the company. Last month, the 30 per cent shareholder sent its accountant to the AGM, and he was surprised to see how well we have done. We believe greed has set in, and they have suggested that a dividend be declared.

I now believe they will deny any agreement about the shares. As we will be quite profitable due to record sales and reduced operating costs this year, I want to get these uncooperative, difficult shareholders out of the business.

Do we have the power to wind the company up, distribute whatever surplus there is, pay off the 30 per cent shareholder in proportion to the surplus, and then start again and continue trading with a new company set up for this purpose?

While it would be possible for the company to enter into voluntary liquidation and return the surplus after payment of all creditors to the shareholders, it would require a 75 per cent majority to pass the resolution to wind up the company. You are evidently unlikely to achieve that majority. You are not bound to make the company pay dividends, but you should consult the company's auditors as to that.

Repairing beach hut

A FRIEND living on Social Security has a beach hut at Shoreham. During the February 1989 storm the National Rivers Authority erected, as part of its measures for strengthening the coastal defences, a six-foot pile of loose stones, four feet in front of the hut.

Renewed storms dislodged those stones, thrusting them on to my friend's hut, causing £200 of damage. These huts are uninsurable being vulnerable to weather and damage by vandals.

The NRA denies liability, saying it was carrying out its duties. I say the NRA was foolhardy, creating a potentially

Q&A

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

and actually damaging pile of stones in adverse weather. The local MP has accepted a bland reply from Lord Crickhowell, chairman of the NRA. What should my friend do? He cannot afford to renege at his own expense. Your friend could make a claim in negligence or nuisance against the NRA if he can establish that the authority failed to take such steps as were reasonable to prevent or minimise the risk of damage to the hut - see *Leakey v National Trust* (1980) QB 485. This is a question of fact, but might well be capable of being proved in the case which you describe. Your friend can sue in the County Court for the value of the hut which was destroyed (not the cost of replacing it).

Adding sons to accounts

MY WIFE and I wish to make a capital settlement on our two sons, both of whom are of age, with income reserved to ourselves.

Our assets comprise a small leasehold flat held as tenants in common, together with a number of bank and building society joint accounts and unit trusts. The total value falls within the inheritance tax exemption limit, so that tax considerations do not arise.

What we contemplate doing is splitting each joint account between us and then adding our two sons' names to each of the new accounts.

We have already made will appointments to trustees to pay the income to the survivor of us, and would hope by the procedure suggested to avoid the need for the creation of a trust deed to cover the settlement. Would this be in order?

You can achieve the objective you describe by re-arranging the accounts so that each of you has a joint account with one or both of your sons. However this would not necessarily be effective if the assets of the parent account-holder exceed the inheritance tax nil-rate band if the account were in fact only operated by the parent. You would also need to feel satisfied that the sons would not operate the joint account in a manner which you would not wish them to - since they would have equal powers to operate the accounts with you and your wife.

The provision in your will would not operate in relation to the joint accounts, since the whole of the amount standing to the credit of a joint account will automatically accrue to the survivor(s) and there will be no interest in that account vested in the estate being administered under the will.

Motorway problem

MY WIFE and I, both in our 70s, are tenants in common of a large freehold property on two acres of land alongside the M25, which has blighted our property to the extent that it has proved to be virtually unusable.

Our younger son occupies half of the property and shares in its maintenance. We have another son who is married and lives elsewhere.

We have made will leaving our resident son a sum of money from our estate which will enable him to start a separate property, if he so wishes, on the death of the remaining partner.

But it occurs to us now that inheritance duties would probably necessitate a sale of our property in order that this bequest and the division of the remainder of our estate between our two sons could be fulfilled. Our resident son may not wish to have the property sold or it may not be possible to sell at anything but a greatly reduced value because of the M25, thereby depriving both our sons of any potential future value.

It is only fair that our resident son should have a stake in the property, having lived here for 15 years, and should not be obliged to move because of a poorly constructed will.

Can you propose a solution to this dilemma?

We think that your better course would be to make a gift inter vivos (ie now) to your younger son, say, half the equitable interest in the house. There will not be a benefit reserved to you by reason of your continued occupation where the donee is already resident at the property.

Overseas securities

SOME TIME ago I bought shares in a Swedish pharmaceutical company called Astra AB. As this is an overseas security all the documentation including the share certificates have to be held abroad through my bank, Barclays.

This involves me in various charges both for holding the documents and for other matters such as a recent bonus issue for which the charges seemed excessive.

My broker says there is nothing that can be done about this, and as long as I have the shares the bank holds me over the potential barrel. Is there any alternative? Unfortunately your broker is right: all you can do is to seek to persuade your bank to operate more reasonable charges, or else forego the foreign investment.

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Bishopsgate currently manages four international unit trusts though, admittedly, we are not a household name with the investing public.

However, current unitholders, City Institutions, astute financial editors and commentators, and others in the know are certainly familiar with our exceptional investment record.

In a recent survey of the performance of over 1,000 unit trusts, only 14 funds appeared in the first quartile (top 25%) of their sector in every twelve month period, February to February, between 1985 and 1990.

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Bishopsgate International Unit Trust and Bishopsgate Progressive Unit Trust have held first and second positions respectively in their sector over 10 years since 1980. In fact investors in our unit trusts over a ten year period have seen a remarkable increase in the value of their investment.

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Please remember that past performance is not necessarily a guide to the future.

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A strong company

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For further information and a copy of the scheme particulars write to David Wood, Bishopsgate Progressive Unit Trust Management Company Limited, 15, St. James's Place, London SW1A 1NW. Telephone: 071-493 8111.

5%

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*Source: Mergers and Acquisitions, 31 July 1990 offer to bid, become relevant. Over a 5 year period the value of £1,000 invested in Bishopsgate International and Bishopsgate Progressive would now be £2,558 and £2,885 respectively.

† Barings Investment Management, Bristol, April 1990. ** Financial Times 14 April 1990.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
High interest cheque	5.00	5.10	4.08	monthly	1	under 5,000	0-7
High interest cheque	9.20	9.60	7.68	monthly	1	5,000-9,999	0
High interest cheque	9.40	9.80	7.84	monthly	1	10,000-24,999	0
High interest cheque	9.60	10.00	8.00	monthly	1	25,000-49,999	0
High interest cheque	10.20	10.70	8.56	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	7.00	7.12	5.70	half-yearly	1	1-250,000	0
High interest access	9.00	9.00	7.20	yearly	1	500	0
High interest access	9.75	9.75	7.80	yearly	1	2,000	0
High interest access	10.25	10.25	8.20	yearly	1	5,000	0
High interest access	10.50	10.50	8.40	yearly	1	10,000	0
90-day	10.25	10.51	8.41	half yearly	1	500-9,999	90
90-day	11.00	11.30	9.05	half yearly	1	10,000-24,999	90
90-day	11.50	11.83	9.46	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	12.75	9.58	7.85	yearly	2	5-25,000	1 mth
Income bonds	13.50	10.12	8.10	monthly	2	2,000-25,000	3 mths
Capital bonds	13.00	9.75	7.80	yearly	2	100 min.	3 mths
35th issue	8.50	8.50	8.50	not applica	3	25-1,000	14
Yearly plan	8.50	8.50	8.50	not applica	3	20-200/month	8
General extension	5.01	5.01	5.01	not applica	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wage	10.82	11.16	8.93	monthly	1	2,500	0
Provincial Bank	11.02	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	13.24	11.03	9.72	half yearly	4	-	0
8pc Treasury 1992	13.06	10.84	9.52	half yearly	4	-	0
10.25pc Exchequer 1986	12.35	9.54	7.88	half yearly	4	-	0
8.5pc Treasury 1994	12.52	10.13	8.71	half yearly	4	-	0
3pc Treasury 1992	10.43	8.58	8.07	half yearly	4	-	0
Index-linked 2pc 1992/95	13.30	10.93	10.28	half yearly	2/4	-	0

*Lloyds Bank, Halifax 90-day, immediate access for balances over £5,000. †Special facility for extra £10,000. ‡Source: Phillips and Drew. \$Assumes 8.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

MAXIMUM INCOME ACCOUNT SERIES I VARIABLE RATE	MAXIMUM INCOME ACCOUNT SERIES II VARIABLE RATE	PREMIUM SHARE ACCOUNT VARIABLE RATE
Applicable to new and existing accountholders	Applicable to new and existing accountholders	Applicable to existing accountholders
3 YEAR TERM SHARE (minimum investment £1,000)	2 YEAR TERM SHARE (minimum investment £1,000)	
12.5% (net p.a.)	12.75% (net p.a.)	12.0% (net p.a.)
16.67% gross	17.0% gross	16.0% gross

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PERSPECTIVES

Hooked on the people but not the system

Fishing/When Tom Fort took rod and line to Eastern Europe, he was both cheered and chilled by what he found

ON TOP of a wretched, dark grey block of flats in the town of Karlovy Vary in Czechoslovakia, is a legend in letters ten feet tall. It is in Czech, with an English translation: Soviet Railways Transport Comfortably Quickly Always In Time.

Host to this colossal falsehood are the grand colonnades, the flamboyant hotels and villas and the sumptuous bathhouses of 19th century Carlsbad, the most celebrated of spa towns, a place of recreation and recuperation for kings, princes, artists and aristocrats. It belonged in character and tradition to Europe, and - despite its change of name - still does.

When I pointed out to my Czech fishing companion this soaring eulogy to the imaginary efficiency of the Soviet railway system, we laughed. He too felt the absurdity. But in his laugh there were other elements: of anger and disgust.

During my three-month long fishing expedition in eastern Europe there were many such glimpses of the Soviet legacy. It would be nonsense to pretend that what we used to call the Communist Bloc. But it was an education in much that was depressing, incredible, awful, and much that was beautiful, enviable, heart-warming.

My idea - self-indulgence disguised as cunning purpose - was to go fishing. I would see the mountains and the valleys, have fun on the sparkling streams, and leave the cities and weighty political analysis to those better qualified. I would spend my time with fishermen, who - whatever their walk of life - would look after me, because they were anglers.

As a result, I can pronounce on which rivers have trout, and how to get a licence, but not on how the Communists were sent packing. I was in the backwaters, rather than the mainstream, and had some wonderfully enjoyable fishing. I learned much, too.

While fishing for trout on the magnificent River Sava, in south-east Poland, I met a man whose job was to sit in a room above the dam nearby, and record readings from the dials around him. After eight hours of this, he would return home, and make pencils - 20,000 of them a month - using a machine he constructed himself. For watching the dials he received the equivalent of 100 dollars a month, for the pencils about double.

In Cracow, I stayed with a dentist. From 7.30am to noon daily he works in a state hospital for 70 dollars a month. For the rest of the day, until late at night, a stream of patients attends his private surgery, earning him at least 1,200 dollars a month. He owns a large house in the mountains, two cars, and a battery of consumer luxuries.

The extent of long-established private enterprise in Poland inflicted early damage on my preconceptions.

Another surprise concerned drink. I have never seen so many drunks, nor so many people so drunk: lurching in the gutters, prone in the squares, slumbering in the streets. In one restaurant I was pawed and howled at by a young woman in an alcoholic frenzy, while her husband rocked speechlessly in his chair. Their son, aged no more than 14, attempted to intervene, and fell over, drunk.

Yet it was almost impossible to buy a drink in the so-called bars and restaurants. To get a beer I had to go to an international hotel. Social drinking was almost unknown. People bought vodka in shops, and got drunk at home or in the streets. A doctor friend said pityingly that there is nothing else for them to do.

There was much else in Poland to depress: dismal hotels, petrol queues, drab shops with a few shoddy goods and no urge to sell

affection with Angus Wilson, Iris Murdoch and Graham Greene.

Whether we deserve the affection is another matter. She told me that the children at her school now wanted to learn English, but a request to the British Embassy in Prague for help with books and cassettes had met with a characteristically dusty response.

Another unfattering comment on our reaction to the events in eastern Europe are the immense queues at the visa section of each British Embassy, of those longing for the chance to see a country they admire. For their pains, they encounter a supercilious bureaucratic swamp.

My first port of call in Czechoslovakia was the industrial town of Litvinov, in northern Bohemia. The friend who showed me Karlovy Vary lives there, working with his wife and 10,000 others for the Soviet-Czechoslovak Friendship Petrochemical Works.

Standing on the balcony of their flat in Lenin Street, eyes and throat were assaulted by the fumes from the ever-belching chimneys, hanging over the town in an permanent cloud. Into the distance stretched open-cast mines for brown coal, a vast, filthy mutilation of the landscape.

The town of Most once stood there, a solid, decent sort of place, dating from the 18th century. In the 1960s it was utterly annihilated to get at the coal beneath. The hills



where to catch trout and grayling in the rocky streams.

One, a vet, spoke a little English. Aided by a dictionary and much shivvits, we conversed about life and angling. It was a few days before the elections, and I asked him how he would vote. Green, he said, for our rivers and children.

Then he laughed, struck by the bizarre unfamiliarity of having a democratic intention.

Hungary was dull. Hungarian anglers sit for many hours in boats, on hard seats, waiting for fish to bite. I had to do the same, the fish did not bite, my bottom became tender, my patience strained.

In addition, I fell into the hands of the bureaucrats. I had no personal contacts in Hungary, only an introduction to the Fishing Association, which has its headquarters in central Budapest, a network of regional offices, a multiplicity of comfortable, characterless fishing lodges, and a mission to organise.

I was treated with great kindness. But as soon as I saw my name at the head of a printed programme, my spirits drooped. And the longer I spent competing for space with German tourists along the shores of Lake Velence and Balaton, the further they fell.

Suffice it to say that there was a very large number of Germans in Hungary, that an enormous range of services existed to cater to their needs, and that, as a result, the

sense of adventure and the unfamiliar in the other countries I visited were conspicuously absent. For the first time I felt like a tourist, and it was a relief to escape.

In Romania, I had been warned, I would almost certainly meet my end. I would be robbed, probably murdered. My car would be stolen. I would starve. I would find cannibals, child prostitutes whose price was a spoonful of lemonade powder, barbarism rampant.

I was shaking with apprehension when I crossed the border at Oradea, and headed for Tirgu-Mures, in the heart of Transylvania, where a few months before Hungarians and Romanians had been killing each other in the streets.

I had an address to go to. It was up a dark staircase in a discoloured block of flats. I trudged up full of foreboding, only to be welcomed in excellent English to a spacious, elegantly furnished apartment, given cold beer, and urged to watch the West German-made colour television. Romania was playing the Irish Republic in the World Cup - it's only football, my host said cheerfully after the Irish scraped home, as he opened another beer.

Almost everything I had been told about Romania was wrong. I never felt in any personal danger. There was enough to eat. The Kent cigarettes which, I was assured, were essential to secure any service, turned out to be quite useless. I was

able to enjoy a country of fantastic, virgin beauty almost without impediment.

But I was conscious, too, at every turn, of the shadow of the lately departed tyrant. In one village I slept in the bed which had been Ceausescu's; in another I stayed next to one of his many hunting lodges. During my stay in Tirgu-Mures, I occupied a room in the house built for his visits.

Everyone talked of him incessantly, with humour, hatred and with a touch of surviving fear. I had the impression of an almost physical relief at the opportunity to articulate a little of that which had been bottled up for a generation. They were eager, too - sometimes excessively so - to persuade a rare foreign visitor that their country was ready to be admitted to the civilised world, whatever her enemies might say.

Visible Soviet influence in Romania is negligible - the Romanians have not forgotten that Ceausescu's defiance of Moscow earned him a honorary knighthood bestowed by the Queen of Great Britain.

In Poland, Czechoslovakia and Hungary, the statues of the founding fathers of Communism have been removed or destroyed. So it was something of a shock to arrive in the Bulgarian capital, Sofia, and find Lenin still standing, now staring sternly at the Hotel Sheraton.

But, different though Bulgaria undoubtedly is in many respects, it shares one significant characteristic with the other countries of eastern Europe. The economy is in a shocking mess. I could not get petrol, and so - after a pleasant, but not too instructive couple of days with a fishing rod in the mountains - I was compelled to leave for home.

As I drove up Yugoslavia's Adriatic coast against the unbroken stream of tourist traffic, across neat and pretty Austria, and north on the autobahn to Hamburg, I thought of all I had done and seen and heard. Aside from the fun I had fishing, the joy of experiencing the beauty of these countries, and the countless small pleasures and irritations of daily life, there were two deep, abiding impressions.

One, inevitably, was of the economic abyss between them and us. The super-optimists talk of a turn-around in a few years. Those with more sense shrug their shoulders at the epic scale of the difficulties, and suggest things may be better in a generation - if then.

The second, even more powerful impression was of generosity and hospitality, regard and reverence for the guest, somewhat unsettling to one nurtured in our comparatively chilly, avaricious culture. Eventually I learned to bear without embarrassment the universal saying - a guest is a God in my house - and to feel humbled by it.

"I learned to hear without embarrassment the universal saying - a guest is a God in my house - and to feel humbled"

them, a palpable air of desperation fuelled by economic collapse.

But for a privileged visitor, all this was far outweighed by the beauty of the Carpathians; by the fishing on the Sava, the Danube and other rivers; by the unlimited hospitality; and by the overwhelming warmth of feeling toward England.

This warmth was evinced everywhere I went. In the Czechoslovak city of Ostrava I met the head of a secondary school English department. In the Prague Spring, 22 years before, she had come to England for the strawberry picking season, a memorable taste of capitalist exploitation. She had learned the language, and nourished her

above this staging post to hell were once celebrated for their beauty. Now the conifers have withered, and the health of the people is not much better.

I could understand my friend's need to escape with me to fish in the relatively uncontaminated Sumava Mountains to the south-west. I sympathised with his fears for his baby son, his resentment of the ties binding him to the factory and his terror lest economic and environmental pressure force its closure.

Away to the east, I stayed beside the River Poprad, with the snow of the Tatras Mountains gleaming to the north. Two brothers showed me

Mystery of Troy remains unearthed

Kerin Hope follows archeologists in search of the ancient splendours of Homer's city



OUTSIDE THE walls of ancient Troy a 20th century wooden horse towers above a rose garden like a gigantic toy. Tourists scramble up a ladder descending from its belly to aim cameras through portholes cut in the flanks. It is a vivid reminder of the brilliant Greek stratagem described by Homer in the *Odyssey*. But, according to a leading Turkish archaeologist, the ruse may have been a myth.

"The original wooden horse would simply have been a statue raised after the walls were breached by an earthquake and allowed the Greeks to take the city. The horse, after all, was an attribute of Poseidon, the god of earthquakes," says Professor Ekrem Akurgal, who has excavated half a dozen Greek cities in Turkey and now advises an international archaeological team digging at Troy.

The mound at Hisarlik, Homer's "windy Troy", lies at the western tip of Asia Minor, overlooking the entrance to the Dardanelles strait. Later it became Ilium, a city that lived off its myths. Classical Greeks made pilgrimages there, honouring their ancestors' feats in the Trojan War. Alexander the Great stopped off on his way to conquer Persia and offered a sacrifice at a nearby mound identified as Achilles' tomb. The Romans awarded the city special privileges because a Trojan hero supposedly founded Rome.

The site was first dug extensively a century ago by Heinrich Schliemann, the self-taught German archaeologist, who convinced himself that he had found King Priam's palace. In fact the large building and gold treasure he unearthed dated from about 2,500 BC, more than a millennium earlier than the period of contacts, and presumably

"The original wooden horse would simply have been a statue"

conflict, with the Mycenaean Greeks.

Then came an American, Professor Carl Blegen of Cincinnati University, who sifted through the remains of the mound in the 1930s and identified nine cities of Troy and more than 40 building levels. He thought Troy VII was Homer's city - a view contested by those who argue that only the massive fortifications of Troy VI, destroyed by a 13th century BC earthquake, can match the descriptions in the *Iliad*.

The new excavators are not inclined to take Homer literally, although they concede that his references to the landscape of the *Troia* are surprisingly accurate. "Homer's work belongs to the 8th century BC and if he didn't make

the pilgrimage to Troy himself, he must have talked to someone who did," says Professor Manfred Korfmann of Tübingen University, who heads the team.

Before starting to dig at Troy, Professor Korfmann spent more than a dozen seasons at other sites in the *Troia*. He discovered the harbours of Greek and Roman cities in Turkey. But the freshly cleaned Troy VI walls, built of stone blocks fitted so closely that it is impossible to slip a newspaper between them, now look truly threatening.

At the same time, the archaeologists are bringing the dig up to date. A geomagnetic study has traced the outlines of a lower city outside the Troy VI walls.

Another fortification wall, which surrounded Troy III at the end of the third millennium BC, was discovered this year. A sanctuary, perhaps dedicated to the fertility goddess Cybele, is partly unearthed and extensive areas from the Greek and Roman periods are slated for excavation.

Eventually, some of the questions about Homer's Troy may be answered. A temple of Athena was grafted on the site of the most imposing Troy VI structures. Professor Korfmann wants to examine the rubble swept aside by the ancient Greek builders. But to reach what may be the remains of Priam's palace, he must first remove another large pile of debris left over from Schliemann's excavations.

cantly, a ceremonial axehead made of lapis lazuli was found at Troy.

Part of the excavators' task at Troy is to survey and restore the overgrown ruins so that they make sense to visitors. Guidebooks warn that Hisarlik is disappointing by comparison with the architectural splendours of Greek and Roman cities in Turkey. But the freshly cleaned Troy VI walls, built of stone blocks fitted so closely that it is impossible to slip a newspaper between them, now look truly threatening.

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Genius of the Place Power of the picturesque

Nigel Spivey visits Ruskin's home at Brantwood

THOSE WHO admit to a thumbnail knowledge of John Ruskin probably know two things about him. The first is that he invented the Pathetic Fallacy, roughly describable as the investment of inanimate objects with human feelings. There are a lot of pathetically fallacious people around, and it is worth occasionally tripping them up.

The next time a swimming companion remarks: "The water doesn't look very inviting," you should reply: "Pathetic Fallacy, old bean. The water doesn't give a damn whether you go into it or not." So much for that. The second piece of thumbnail knowledge is what I would call the Appalling Flaw. Biographies of the prodigiously gifted, the staggeringly energetic, the marvelously clever, do fascinate us: but we like to protect our own egos by locating an Appalling Flaw, some defect which allows us to say, "Yes, So-and-So was a genius,

but..." In Ruskin's case, the Appalling Flaw is that this great saint, this holder of lamps to beauty, in art and nature, was allegedly horrified to discover that women possessed pubic hair, and exiled his wife from the conjugal bed on the grounds of that discovery. Actually, this remains a doubtful story. Ruskin's marriage was annulled because of non-consummation, and his wife (who later married the painter Millais) simply records that on their wedding night Ruskin was "disgusted with my person."

But whether or not Ruskin had never before seen pictures of ladies with pubic hair, twentieth-century priorities are such that we are readily appalled to find instances of positive, highly active persons who can do without sex for their entire lives. There is a lot more to Ruskin than this.

Ruskin is an author whose works are commonly encountered in secondhand book-

shops; before I went to Brantwood, I passed them over. But I shall now collect them more diligently, having been to Brantwood: I have seen the light of the Seven Lamps. Brantwood was Ruskin's home from 1872 up to his death in 1900. It sits in an enviable position overlooking Conistone Water, and has served as a national memorial to Ruskin since 1924.

The house is full of Ruskin's own drawings and watercolours, which are less florid than his prose, and useful indicators of his movements in Britain and abroad; and the views across to Conistone Old Man, while they may not match those of the Alps from Schaffhausen, remain consistent with Ruskin's ideal of the picturesque.

We coo from the turrets of Brantwood, and have to confess that this is an ideal we share. Some of Ruskin's messages are forgettable: the Cretaceous is hardly Satanic, and the

English Pre-Raphaelites look pretty limp next to Renoir. But as propheta go, Ruskin has worn well. Or rather, he continues to warn well. Friends of the Earth, members of The National Trust, youngsters on the YTS, all have reason to thank Ruskin.

A couple of complementary excursions might be made while in the area of Brantwood. One should take in the little Ruskin Museum in Conistone village. This is a collection in the Pitt-Rivers style: cabinets filled with memorabilia, geological specimens and so on, all accompanied by

hand-written labels. A second destination is the Ruskin Memorial on Friar's Crag, above Derwentwater. This spot was celebrated by Ruskin as his earliest childhood memory; and a stone there carries a quotation from a lecture about Yewdale Crag above Conistone, not Friar's Crag, but no matter. "The Spirit of God is around you in the air that you breathe..." it is a glorious sentiment, and a glorious place to expose it.

Brantwood, near Conistone, is open all year: daily mid-March to mid-November, 11am - 5.30pm; otherwise Weds - Sun, 11am - 4pm. Tel. 05354 41396.

Three centuries of scandal

From Page 1

with the proceeds of the Great Train Robbery. Exposed by a brilliant piece of detective work in the *Investors' Chronicle*, Sir Denys made substantial repayments. In failing health he set off on a round the world cruise on the QE2, with the popular press in hot pursuit.

Sir Denys always denied wrongdoing, and *The Times* obituary said: "Lowson began his career in the City before the war, when the standards of financial morality and duty to shareholders were less well developed than they are today..." In the quarter century since the war, however, the ethics of the City generally advanced in a way which placed Sir Denys increasingly out of tune with the City establishment.

That is not a concept which has been given much hearing space in the Guinness trial. Indeed it is often said that it represents in some way the apotheosis of a decade in which greed was good, and everyone was beastly and uncaring. Much has been made of the lifestyles of the defen-

dants (although they look comparatively modest compared with the likes of Whitaker Wright). He built the splendid Witley Park in Surrey, which featured a handsome billiard room under one of the ornamental lakes.

The idea of the enormously wealthy - and dishonest - businessman was familiar to the reading public in the nineteenth century - Mr Merdle, in Dickens' "Little Dorrit" and - more convincingly - Mr Melmotte in Trollope's "The Way We Live Now."

Trollope wrote this in a state of great moral outrage in 1873. Returning to London after 18 months abroad, he was shocked by what he found. "A certain class of dishonesty, dishonesty magnificent in its proportions and climbing into high places, has become so rampant and so splendid that there seems to be reason for fearing that men and women will be taught to feel that dishonesty, if it can become splendid, will cease to be abominable."

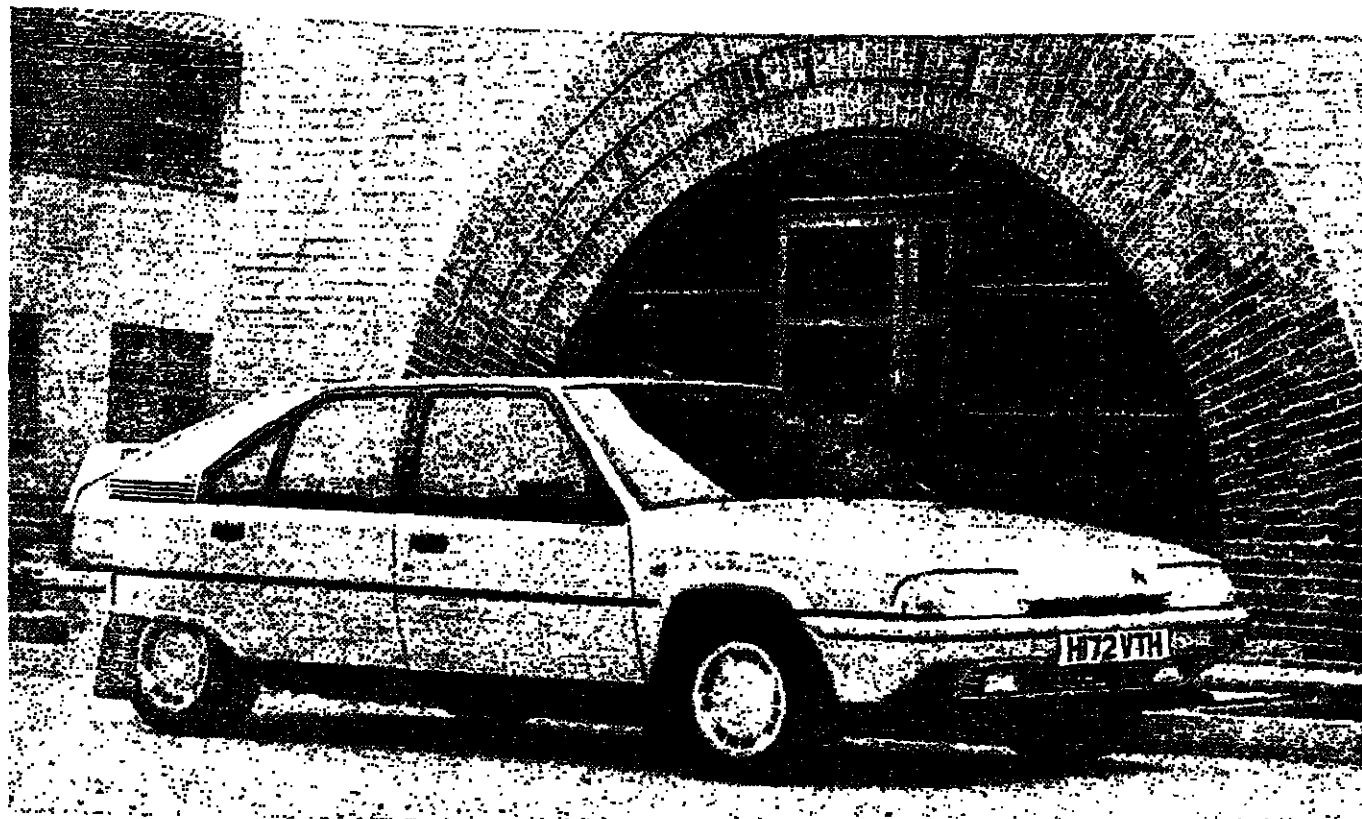
This outburst came only a few years after the collapse of Overend, Gurney and Com-

pany, one of the most respected houses in the City. At their trial in 1869, the directors were found not guilty of attempting to defraud the business, but the judge - in the way of his kind - could not resist thundering in familiar tones:

"There can be no doubt that the spirit of speculation and gambling has taken deep root in the minds of all classes of the community. Those who were wont to be satisfied with moderate profits and safe investments now seem to be led away with the spirit of greed and gain, and are now ready to embark their fortunes... in the vain expectation of realising enormous gains; and if this case shall teach those who are ready to follow the ignis fatui of such vain delusions that you cannot gain extravagant profits without extreme risk, that it is unsafe to embark in enterprises of which they cannot comprehend the scope, the management of which they cannot really control... then the result may be greatly rejoiced at."

Heigh Ho.

MOTORING & OUTDOORS



Citroën's £11,450 BX 1.9i, the cheapest diesel car with automatic transmission. Below, the Rover 825 turbo diesel

Gulf crisis adds to attractions of thrifty diesels

Unleaded petrol in Britain is now about £2 a gallon (44p a litre) and leaded premium getting near to £2.30 (46p a litre). If you think that is expensive, consider current prices in continental Europe.

According to the AA's latest figures, in mid-August the French were paying 51.6p and the Italians 68.5p for a litre of unleaded. If, like me, you still think Imperial, that is £2.34 and £3.12 a gallon, respectively. The only places where petrol was cheaper than in Britain were Greece, Luxembourg (Europe's cheapest at 31.4p per litre or £1.42 a gallon), Switzerland, Germany and Yugoslavia.

Almost everywhere, diesel fuel costs less than petrol. In Britain, it averages 40.4p per litre (£1.84 a gallon) and in only four other European countries does it cost more than that - Ireland, Italy, Sweden and Switzerland.

The financial advantages of running diesel cars - as I have for almost 11 years - become more compelling week by week, especially if, as some of the doomsday scenarios for the Gulf troubles are to be believed, petrol in Britain could go as high as £5 a gallon (£1.10 per litre) by Christmas.

Cheaper fuel apart, you can reckon on 25 per cent lower consumption from a diesel car, unless nearly all your driving is on motorways, right foot clamped to the floor, which means that the fuel per mile saving can be close to 30 per cent.

That is for average, day-to-day driving. If most of your trips are short and in traffic, the fuel cost saving will be higher still. My Citroën XM turbo diesel is averaging 43.2 mpg (6.54 l/100km). Show me a large petrol-engine, 5-seat saloon, used for typical business motoring, which gets within 30 per cent of that and only needs tanking-up at over 600-mile (1,000 km) intervals.

The arrival in Britain of two new diesel cars (Citroën BX 1.9i and Rover 825D turbo diesel) will be good news for cost-conscious fleet operators, private motorists and even environmentalists. Broadly, diesels are as environmentally friendly as petrol cars with exhaust catalysers.

Rover really created the 825D for mainland Europe,

Stuart Marshall looks at two executive-class diesel models

where more than 200,000 executive-class diesels will be sold this year. It has the same Italian VM 2.5-litre engine as the diesel Range Rover. Left-hand drive markets will get saloons as well, but the only one to go on sale here in a few days time will be the fastback.

Recently I used a left-hooker to Belgian market specification for a week in Britain. It was a lovely car to drive. At start-up



It is noisier, but otherwise it runs very close to the urbanity of my benchmark diesel, the Mercedes 300.

Use the slick, American-made 5-speed gearbox to keep the revs at 1,800 rpm-plus. The turbocharger forces more air into the engine, and the 825D goes with almost the vigour of a petrol 2-litre Rover 820i. Drop into fourth at 50-55 mph (80-88 kmh) on an A-road to overtake, and the pick-up is a shove, if not quite a kick, in the back.

With a similar over 40 mpg (7 l/100km) consumption as the Citroën XM, the Rover 825D - list price will be about £17,000 - deserves a close look from environmentally conscious, high-mileage business drivers and their fleet managers.

One snag about executive diesels is that, barring all Mercedes models and the Vauxhall Carlton, none can be had with automatic transmission. The Citroën XM will have one next year; the Rover may eventually.

But in the showrooms now at a very keen £11,450 is Citroën's power-steered BX 1.9TGD turbo-diesel automatic. The better equipped (front and rear power windows, large electric sunroof and remotely controlled central locking) BX

19 TGD is £12,350. The transmission has been set up to maximise performance, but I still managed 43.3 mpg (6.5 l/100 km) over 600 miles (1,000 km) in the two-pedal BX 1.9 TGD, mainly driving to and from London and using the M25 at its scelerotic, rush-hour worst.

The German ZF automatic transmission (also used by BMW) eagerly slips into third at 55 mph (88 kmh) on quite gentle hills. Acceleration out of 35 mph (56 kmh) corners is brisk as the transmission has selected second gear. Except when accelerating hard, the engine is agreeably quiet. On motorways, it is nearly silent.

I hope Citroën UK can persuade the factory to put the range-selector indicator on the right of the transmission. At present it's on the left, which is fine for left-hand drive cars but not much help in Britain.

Already, the BX is well established as Britain's best-selling diesel car. Availability of two-pedal control can only make it more popular still. For a combination of ease of control and operating economy, plus Citroën's legendary ride comfort, I rate it a best buy among mid-sized cars.

On the spur of the moment

Arthur Hellyer welcomes a distinctive strain of impatiens

ONE of the most distinctive characteristics of the impatiens flower is its long, slender, curving spur rather like that of an Aquilegia, but I wonder how many growers of the popular bedding varieties realise this. By selecting continuously and exclusively for a dwarf, wide-spreading plant with flowers all facing upwards to form a solid carpet of colour, breeders have effectively concealed the spurs from view. All one sees are little disc-shaped flowers not unlike those of a phlox or petunias.

"Improvement" seems to consist solely in making the plants even shorter, the flowers cover even more complete and the colour range even greater. However, it is likely that the possible limits in all these directions were reached some time ago and that we are now on the rather boring merry-go-round that artificial plant breeding programmes which become concentrated on two limited ends.

At least, that is what I would have concluded until very recently. I acquired a couple of plants of the New Guinea impatiens, stood them on the window ledge in my office, and began to look at them with rapidly increasing interest. It was not the first time I had seen this new and promising group of hybrids. I have



admired their vigour and handsome foliage in the temperate greenhouse in the Royal Horticultural Society's garden at Wisley and I have on occasion seen plants in garden centres and florist's shops.

A selected variety with vivid orange flowers appeared in some 1990 seed catalogues under the name Tango but I did not take a lot of notice of it. The New Guinea strain is not confined to orange. In fact, it seems now to encompass almost the whole range of busy lizzie colours. These newcomers may revitalise interest in impatiens, but for cultivation in pots, window boxes and other containers rather than as a carpet bedding plant.

How new are these New Guinea varieties and where did they come from? It is hard to get precise and authoritative answers to these questions, but

it seems that they were first introduced to the US in 1970 by plant hunters working for Longwood Gardens and the US Department of Agriculture. They were distributed to flower breeders and seem to have been worked on extensively in at least three nurseries with widely differing results. This is not surprising since they appear to have been already of hybrid origin when collected, with all the possibilities for further change implied.

What is more surprising is that the main method of propagation for sale until quite recently seems to have been by cuttings. No doubt it is this relatively slow and expensive means of increase that has limited the spread of these remarkably beautiful plants in gardens in Britain where they are still relatively unknown. Now that seed is becoming increasingly available I would expect that to alter rapidly. But if purchasers are not to be disappointed they must understand that these plants have totally different parentage from that of the common bedding impatiens and that their cultural requirements are also different.

Stems are much stouter and stiffer, which enables them to make bushy upstanding plants which can be over 18 inches in height when grown in beds. The leaves are also very differ-

ent from those of the rather featureless carpet bedding busy lizzies. Many are over three inches long, lance-shaped, finely saw-edged, dark green and often variegated with broad bands of yellow along the midribs.

The strain I am growing, Spectra Mixture, includes white, lavender, pink, rose, carmine, orchid and scarlet flowers and also some plants with coloured leaves. Measured across the petals the flowers can be two inches wide or even more, and the slender, curving spur can give it a further length of two inches. The manner in which the flowers are carried allows this elegant feature to be fully displayed.

The modern bedding busy lizzie is popular partly because it can flower freely in shade. Do not expect the New Guinea varieties to be equally obliging. Most varieties require at least three quarters sunlight and in heavy shade they will either not flower at all or do so sparsely.

All busy lizzies are readily increased by cuttings of firm non-flowering growth in moist peat in a propagating frame or polythene bag at any time from spring to early autumn.

Seed of the Spectra strain of impatiens will be distributed this winter and spring by Unwins Seeds, Histon, Cambs.

Nature's pagan blessing

IN BRITISH gardening, the fashion is for the natural, not the formal. There are few voices against the wilderness, clipping their green bushes into pyramids and controlling their gardens of formal patterns. Elsewhere, wild meadows and heathland plants are arranged in natural profusion.

Ahead, the current runs in the opposite direction. Instinctive styles are usually formal: whatever you think of the colour-schemes, the hand of man (and sometimes, woman) is evident in the results. Gardening is clearly defined against nature and much of it is rather grim. The queen of expatriate gardeners is Mother Nature. She makes gardening superfluous in those glorious months of a foreign spring and early summer.

In the full heat of summer, she can still surprise you - less, perhaps, on a walk to the beach than on a mildly adventurous travel inland. She has just surprised me on a hot afternoon in an enchanted spot. It did, admittedly, have certain personalised features for the particular customer it was covered with the remains of an old and venerable Greek temple which had an important place in history of pagans and Christians and a long tradition of inaccessibility. But it also has nature's blessing where a visitor would least expect it: it is as if the place has been laid peacefully to sleep, nature's postscript to its centuries of busy history.

In south-western Turkey, the ancient site of Lagina is known to enthusiasts of pre-Christian religion but not to the crowds who flock to visit Ephesus. It has had its heroic scholars, most of whom have been French: in the 1950s, it was still better approached on an ass than in a jeep.

There was not much of a track into these mountains of ancient Caria, to the north-east of modern Bodrum. The pagan temple at Lagina lay on my list of remote places which would need a week's journey to itself, private transport and logistics which would not fit well into an August break from wedding.

Among enthusiasts, the word is very much that western Turkey is being spoiled. Horrifically, there is nothing to spoil in the first place. In nature, there are still wild rises if you choose your moment and acres of wild Cyclamen if you choose your place. Not that they are immune from rape. In Izmir, Turkish trader who told me that he exported snowdrops by the million from the Black Sea coast and sent loads of wild Cyclamen into the Netherlands for gardeners who believed that they could grow these dry plants at the foot of their European hedges.

Trade, he said, would grow exponentially: he did not, however, think that he would float his business publicly.

Like this nature-rapist, others have enjoyed the recent economic growth. Its cloven hoof-print is stamped clearly on the western coast of Tur-

key, the tourists who have propelled much of it now bemoan it: cement-makers have had a field day and Turkish lorries have never been friends of the earth. Even so, the hoof-print has had its compensations for those of us in slower, older cars. Asphalt roads have multiplied, but the side roads are safe from tourism and almost safe from any traffic at all. Lagina, quite suddenly, is back on the map.

In antiquity, its temple belonged to a three-headed goddess controlling families would have made excellent managers of modern agency travel. They would send out envoys and invitations to visitors from far and wide. There were no brochures, but they publicised their temple-festivals and they held their own welcome meetings at which tourists were given free wine, food and presents: long stretches of the calendar were designated for tax-free shopping and so tourists poured to the temples on foot or in the saddle.

The central shrine of the three, at ancient Stratonicea, has now dropped out, its site engulfed by a state-owned mining venture which has festooned it with pylons and alarming machinery. It has, however, brought roads and Lagina is almost within reach by car.

Not, of course, that its nearest villages pay any attention. Like Roman villas in most of Britain, ruined Greek sites are not the living heart of Turkish country life. On the afternoon of my visit, the villagers of nearby Tugrut had settled down to their public screenings of television soccer.

It took some particular sign-language, a false start with two men who claimed that they could read when in fact they could not and a bargain with a local bright hope who had a school-book, a severe stammer and an uncle who knew what we meant. Two miles away, in the hay field, ancient Lagina lay in ruins, seat of the old and potent goddess Hecate.

In our own English literature, Hecate has a reputation for witchcraft and black magic. In antiquity, too, she had connections with the dark side of the force, with the moon and the restless barking of dogs. She was the presiding genius of crossroads which, then too, made neighbours feel uneasy. She was, however, a friend and potential helper too, to whom people might appeal if they were travelling, trading or trying to fall in love.

At Lagina, Hecate was highly respectable with priests



and priestesses who were not bishops or trained clergy but members of prominent families, known for their good repute.

Perhaps, then too, visitors processed through tame and smiling nature. Unlike in goddess, the site is not at all sinister. The main gateposts still stand, but the grey stone pillars of the temple have fallen peacefully, and pink chrysos has seeded itself into the stonework. Even in August, there are green poplars in clumps, mulberries, figs and ash trees.

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Two particular blessings would interest gardeners who might locate the site in a remote field among the local cows. There are walnut-trees all round, green and quite bothered by more than British drought. In books, you still read how the walnut needs a good root-run in a deep fertile soil. I have never believed them, even in England, where walnuts can make wonderful trees in a paved setting or beside a street. There is no rich soil in this bit of Turkey, but the walnuts are superb.

On some of them, wild roses have run up to the light, reminding us why this family has such thorns. They are not climbers but bookers, relying on another plant's support. In England, keen gardeners struggle to train roses up fruit-trees. On this old pagan site, the roses are doing it naturally. When you next plant a climbing white Rambler, remember that nature has been there before you, not in a grand gardener's orchard, but with the pagan equivalent round an old classical ruin.

Robin Lane Fox

Modern classics and fine vintages

Stuart Marshall discovers the best of both worlds in Bavaria

ULTRA-FAST cars and the world's finest wine sound like a heady mixture. Burkard Bovenstein is involved with both. At his small modern factory at Buchloe, an hour's drive west of Munich, this Bavarian lover of life's good things makes about 500 Alpina cars a year. Next door is a wine-lover's idea of Aladdin's cave: an above-ground air-conditioned "cellar" with thousands of cases of the world's finest vintages stacked metres high.

Bovenstein is a happy man. He should be. It takes him just 30 seconds to walk from his country house to his factory. His cars are so good that owners tell him that when he makes a replacement for their current model, please they would like to have one. And he turns over his shrewdly acquired wine stocks at a satisfying rate of return.

"I sell to Germany's best restaurants for drinking, to private buyers mainly for investment," he told me over a few delectable glasses in a real cellar under his factory once the day's driving was done.

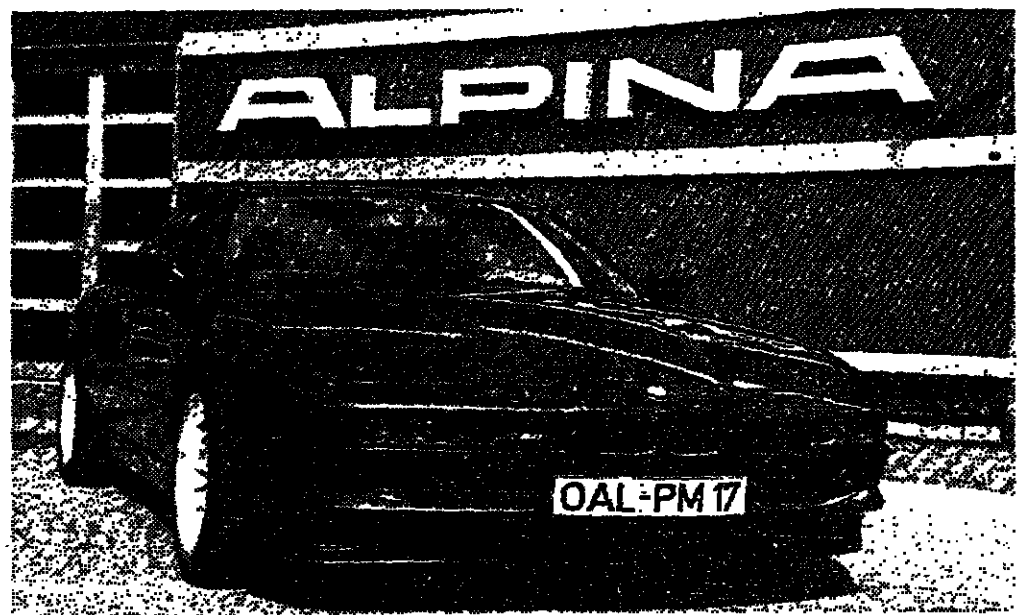
What sort of cars are Alpina? The simple answer is that they are BMWs, honed to a degree of perfection possible only when your output is 500 a year, not 400,000. Engines and transmissions are substantially modified, running gear uprated and interiors retrimmed.

External changes are minimal. (Was a quality car ever made to look better by being hung about with air dams, wheel arch extensions and spoilers?) To the uninitiated, an Alpina is a BMW 3, 5, 7 or 8 Series. The wheels may be wider, the tyres fatter, the body colours individual, but that is all.

I had gone to Alpina to try the new B10 Bi-Turbo. In essence, it is a BMW 524i in standard form is one of the best cars in its class. Bovenstein fits a pair of small turbochargers in parallel. Each is driven by the exhaust gases from three of the 3.5 litre engine's six cylinders, and boost pressure is controlled electronically.

The effect is magical. The engine is as smooth as a V12. There is no turbo lag. The torque (pulling power) is so great that to match it, a naturally aspirated engine would need a 6-litre capacity.

Top speed is over 180 mph (290 kmh). Bovenstein does not boast about it. He sees it as



The ultimate Alpina, the BMW 850i coupé-based B12, will sell for around £25,000

an accidental by-product of developing the engine to be supremely flexible, so flexible that he advised me: "Start in first, get into fifth as soon as you can and, when you need to overtake very quickly, drop into third for a few seconds."

It worked. The B10 Bi-Turbo tricked through town at little more than tick-over. On the autobahn, it swept from 100 kmh (62mph) to 200 kmh (and considerably more than that) once in a while with the urgency of an executive jet at take off. Slipping into third and squeezing the accelerator made lines of trucks appear to be standing still.

It is not a fierce car. "A man's wife should be able to enjoy driving an Alpina just as much as he does," said Bovenstein.

About 200 B10 Bi-Turbos will be made each year, of which a handful will be sold in Britain for £57,250. They can only have left-hand drive; the space taken up by the twin turbochargers rules out right-hand steering.

In Britain about 150 right-hand drive Alpina's of various kinds are assembled annually by Bovenstein's UK associate, BMW specialist Syner of Nottingham. They appeal to well-heeled connoisseurs, not flashy extroverts.

Inevitably, prices are high. Typical buyers of Alpina's might be men whose children no longer fit in the back of a Porsche 911 or who find the low seating position of a Ferrari unkind to their backs.

The ultimate Alpina, the BMW 850i coupé-based B12, will make its world debut at the Birmingham Motor Show in mid-September. I inspected, but did not drive, the first one to be made. That is a treat in store.

My good sense tells me that, when all is said and done, a car is only a means of getting from A to B. But the thought of being able to own a B12 is good enough reason for hoping, one day, to be rich. If the Greek gods were alive today they would, I swear, drive Alpina's.

Country Views

The new fashion for footpaths

WHEN I HEARD one of the country's most famous photographers say that he would never go for a walk for his own sake, this made a strong impression. The idea of going for walks has always appealed to me.

Some nations seem more prone to walking than others. For the first week of a foreign holiday we stayed in a hotel with mainly British guests. In addition to swimming and sunbathing they were to be seen going for walks. For the second week we moved to a hotel where the clientele was almost exclusively American. There did not appear to be a walker among them, and some were distinctly overweight.

Walking is becoming increasingly popular in the countryside and more than one influential body is dedicated to promoting and developing walks on a national scale.

The English public footpath system evolved to satisfy a social need, to enable the local population to walk from isolated dwellings to work, school, church or the village shop, and to avoid the hardship of going miles out of their way. Like the famous photographer, these footpaths wouldn't have dreamt of walking for pleasure. Now, the dedicated walkers who tread the old footpaths do so exclusively for enjoyment, but few are likely to local connections. They may travel in a bus with the sole purpose of going for a walk after their journey. How amazed the original footpath pedestrians would have been.

There is a statutory proce-

dures for obtaining the diversion of an established public footpath, but applicant is far from certain to be successful. This was discovered recently by a landowner in our district. He proposed a diversion of a few hundred yards to a different route, which was also over his land.

The proposed route was in no sense more difficult for the walker; if anything it was

'How amazed the original footpath users would have been'

easier. The landowner's reasons for seeking a diversion were reduction of disturbance to livestock (some walkers bring dogs) and less chance of the public mistaking the correct line of the footpath.

The District Council supported the amended route, but because of a single objector was unable to confirm the diversion order. A public enquiry was therefore held before an inspector of the Department of the Environment. He ruled against the order. In his written submission there would be "significantly less enjoyment" in the diverted route as it would be "by no means as pleasant a walk".

That was two-and-a-half years and quite a lot of paper work later.

Michael Stourton

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BOOKS

Fiction

A Zen vision of nature

The human being remains the principal villain here, says Joe Rogaly

MATTHIESSEN fans will not be disappointed by this latest novel from the author of *The Stone Legend*, although, unlike that book, *Killing Mister Watson* is not a true account. It is an imagined history, based on a few known facts about one E.J. Watson. Newcomers should be warned that the territory in which it takes place is so unfamiliar, and the Choctaw names so daunting, that you have to be 50 pages or so into it to feel comfortable. You must also be prepared for a mystery that cannot be unravelled.

Mister Watson, as he is usually called, is who knows? — an excellent farmer, a businessman, a gentleman acting according to the mores of the rough Florida swamplands at the turn of the century, a cynic, an outlaw, the Devil himself. We start with his murder by a savage yet frightened mob of frontiersmen; we end still uncertain as to whether or not this ritual slaughter can be justified.

At one level, the book is a continual teasing-out of this question. The reader is guided, or misguided, by the recollections, in dialect, of first one connection of Watson's, then another. It might be a former employee, one of his children, a cousin, a neighbour — each narrative adds information; nearly every one subtracts understanding. The evidence against the protagonist is nearly all circumstantial, yet there is no question of his innocence. He is a courteous Southerner, a protector of his family, a lightning shot, a drinker, a hell-raiser, a brute.

It is this tale that gives the book its bones. Its flesh is more important. Matthiessen the naturalist brings the Everglades to life. You are always there, either at a trading-post

in Chokoloskee Bay, or farming atop one of the great shell mounds built by the Indians before the white man came, or snaking along one of the gloomy waterways watching out for alligators. The song of nature is constant; the author's preference for those who, like the Indians, lived in a spirit of reverence for the earth is pervasive.

It will come as no surprise to readers familiar with his work that the most passionate passages are those that speak about the 20th-century despoliation of this natural wonder of which we are all a part. A hundred years ago, plume hunters worked the rookeries. A big rookery would occupy "four-five hundred acres of black mangrove, maybe ten nests to a tree." It could take three or

KILLING MISTER WATSON
by Peter Matthiessen
Collins Harvill £13.95, 372 pages

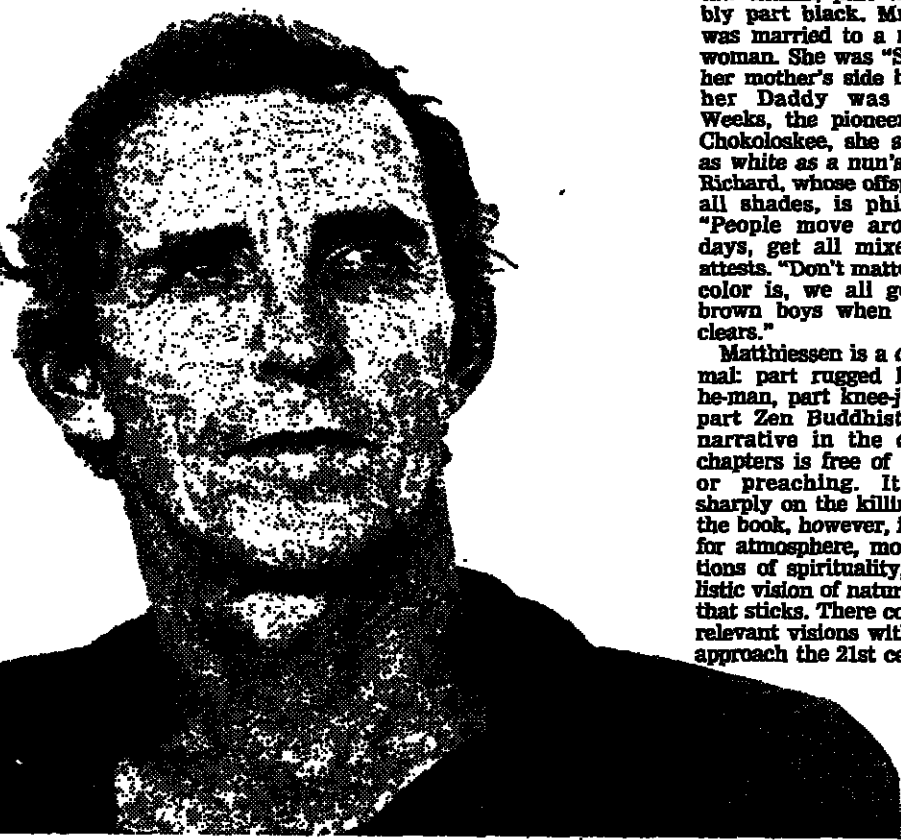
four years to clean one out, using rifles. A narrator recalls what follows: "them ghostly white trees and dead white ground, the sun and silence and dry stink of guano, the squawking and shrieking and flopping of dead wings, and vultures hurrying with no sound — coons, rats and possums, biting and biting, and the ants flowing up all them pale trees in dark anaky ribbons to bite at them raw scrawny things that's backed up to the edge of the nest, guttling and mouth open wide for the food and water

that ain't never going to come."

What does come is the railway, new roads, constant plans to drain the swamps, package-tours with hunters shooting with pitiless inaccuracy at the little life that is left. Matthiessen is aware that nature herself can be destructive: the hurricane that precedes the climax of the book is as devastating to the dirt-poor residents of the area as their guns are to the alligators and others they kill for a living. Yet the human being remains the principal villain, the greatest natural disaster.

There are other familiar sub-texts. To take one example, there is the build-up of the picture held of southern blacks by southern whites, as not quite human — and its counterpart in the remarkable character of Richard Hamilton, part Choctaw Indian, part white, possibly part black. Mr Hamilton was married to a mixed-blood woman. She was "Seminole on her mother's side but because her Daddy was old John Weeks, the pioneer settler at Chokoloskee, she seen herself as white as a nun's buttocks." Richard, whose offspring are of all shades, is philosophical. "People move around these days, get all mixed up," he says. "Don't matter what our color is, we all going to be brown boys when the smoke clears."

Matthiessen is a curious animal: part rugged Hemingway hero, part knee-jerk liberal, part Zen Buddhist. His taut narrative in the concluding chapters is free of moralising, or preaching. It focuses sharply on the killing. Most of the book, however, is best read for atmosphere, mood, intimations of spirituality, a Zen-holistic vision of nature. It is this that sticks. There could be less relevant visions with which to approach the 21st century.



Funny ways of being serious

SPECULATION is in poor taste, but nevertheless it seems likely that the Queen Mother and Lord Denning would find A N Wilson's new novel a pretty good read.

"Pleasure is in short supply in this world which God has so graciously filled with tears and disease. But God. He's different from me." Watched by young Julian Ramsay from behind the bar of the Black Bottle pub in Soho, a motley of humanity measures out the 1950s in gin-and-tonics. Mixed with moral agonising, theology and loneliness, *A Bottle in the Smoke* pours subversively excellent English into prose almost worthy of a title taken from Psalm 118. "It astounds me now how recklessly I risked and inflicted pain when I was in my twenties," A N Wilson writes urgently, as if he was assembling material for a biographer who may miss the truth.

His twelfth novel is second in a projected sequence featuring the Lampitts. "I can remember Jimmy saying, 'I do hope we don't have too much of the Lampitt family.' We don't. What we have, mostly, is Julian: would-be admirable writer, would-be admirable actor, would-be happily married to Anne. And what Julian gives us, in touch-

A BOTTLE IN THE SMOKE
by A N Wilson
Sinclair-Stevenson £13.95, 279 pages

THE RACKET
by Anita Mason
Constable £11.95, 192 pages

ingly hilarious writing and a sense of period so poignant that the 1950s seems as distant as A L Bowse's England of Elizabeth, is self-realisation and spiritual failure.

The smoke and ash of immemorial cigarettes — Gold Flakes, Craven A's, Woodbines, Du Mauriers, Sweet Aftons — drift through melancholy shading into despair. The old brand names punctuate a beautifully paced first-person register which enables Wilson to slip sideways, unobtrusively, into little essays on diverse themes: biography and its "know-all claims," Blake and his art; the power of live theatre to persuade us that what we watch is more real than our own lives; the specious power of actors in radio and television roles to merge fantasy with reality. There is some wonderfully funny stuff about radio serials ("The Mulberry's"), and authors and publishers ("One

day you and I must have a word about commas", and reviewers ("that rat Muggerside").

A N Wilson is not the first English novelist to practise the art of tragic farce. But neither is he the least among those who have understood the ancient truth that comedy is simply a funny way of being serious.

Anita Mason's fourth novel occasionally wobbles from serious into solemn mode, but the choices her characters face, in a morality tale set in the equatorial heat of Brazil, are starker — physical rather than metaphysical life-and-death — than Wilson's. *The Racket* covers different kinds of racketeering: in currencies circulating through an economy tyrannised by inflation; in shortages of staple goods; in political power-broking; in sex, in drugs; most horrifyingly, in the sale of children.

Rosa Van Meurs, a 30-year-old history teacher, persists in a scrupulous regard for truth which matches her courage in the face of intimidation over her apparent failure to toe political and religious lines, and her patience in waiting more than two years for a telephone. (Bribery would speed things up, but principle prohibits this even more strictly than her small salary.) Her rela-

tively quiet, independent life is destabilised by Fabio, her weak young cousin, on the run from exploitative employment on the criminal fringe, and by Robert Bandeira, a beautifully mining company is illegally destroying an Indian reservation.

Miss Mason's preoccupation — as an earlier novel, *The Revisionist*, demonstrates rather more potently — is our human capacity wilfully to muddle truth and falsehood. Lies reverberate around *The Racket*. "People believe lies, don't they? They kid themselves. I think they want to be lied to, really. They need to believe." Her brisk approach to spiritual matters, though, lifts a somewhat worthy tone to a more interesting level: "Poor old Job gets terrible diseases and his children die, and he calls God to account and demands to know why this has happened to him. 'And what does God say?' 'God says that Job's got a cheek asking and wouldn't understand the answer.'"

Speculation is in poor taste, but it seems at least a possibility that Lord Denning, if not the Queen Mother, might find Miss Mason a good read, too.

Gay Firth

THE TRANSCIENCE of life, of human endeavour, expressed indirectly, is the abiding clay of Japanese literature. Here we have three distinct generations of 20th-century Japanese fiction. On the surface their work could hardly be more different. Underneath the surface, however, the theme of transience is always there, more or less entwined with a more specifically modern, and impetuous, quest: just who are we Japanese?

The most interesting of the three is the oldest, Osamu Dazai, who was born in 1909 and died in 1948. Like Mishima and Kawabata, whom in Japan he ranks beside, he took his own life. Having acquired a reputation for radical Bohemianism, he died with his mistress. His writings all belong to the tumultuous, mid-century era of Japanese history: the expansion into Manchuria and other parts of East Asia; the confrontation with America; and the final humiliation. Not surprisingly there is a persistent note of desperation in nearly all his work. Yet what makes him interesting is the highly wrought artifice of that work. Despite his pessimism he was a man deeply committed to literary values.

Dazai is best known for his two novels *The Setting Sun* and *No Longer Human*. *Crackling Mountain* is a selection of his shorter pieces. Many are rewritings of traditional Japanese tales, a rewriting of folklore. Because Oriental literature is inherently indirect it is not always easy for the western reader to grasp the true purpose of a retold tale; and if the contemporary meaning, tied to contemporary events, can be established, it may yet be tendentious. In such circumstances allegory is unstable.

Themes of transience

CRACKLING MOUNTAIN
by Osamu Dazai (trans. by James O'Brien)
Peter Owen £13.95, 255 pages

RAIN IN THE WIND
by Saichi Maruya (trans. by Dennis Keene)
Andre Deutsch £12.95, 234 pages

A WILD SHEEP
by Haruki Murakami (trans. by Alfred Birnbaum)
Hamish Hamilton £13.99, 299 pages

cast upon walls. These images are somehow more substantial than the actual entities. And so he eventually discovers he is not who he thinks he is. He has been deceived in his past. But it is not a deception that will destroy him.

Maruya, who writes with a studied ease that can degenerate into mere navel-gazing, only properly comes into his own in the fourth and final story, which is also the title-piece. Here shadows give way to "driven rain," another

deeply Japanese symbol of transience. Against the narrator is an acute, his obsession with this time — and it is almost as though Maruya must apply what he has learnt, that all good literature is obsessional — is with a dead *haikai* poet. The poet may or may not have been a friend of his dead father. At several points he fails to clinch his researches. Despite the obsessionalism, a brilliant penchant for ambiguity is what counts.

The same may almost be said for Haruki Murakami's *A Wild Sheep Chase*, but not quite. Born in 1949, Murakami represents all that is new in Japanese fiction. All that is new, and much that is borrowed. To a very large extent he has discarded the traditional scenery of Japanese fiction in favour of western approaches. Three of the authors he himself has translated — Chandler, Scott Fitzgerald and John Irving — converse with each other in his prose.

A Wild Sheep Chase, a thriller in the fantastic mode that also poses as a novel of ideas, has already attracted attention and acclaim in the West. I'm not so sure. Part of it may simply have to do with its enhanced accessibility for the western reader. The writing is

clever and engaging but sometimes over-smart, even pretentious. There are too many passages that are ill-homed, or, in our parlance, under-edited.

The story involves an advertising manager, a girl with beautiful eyes, a disembodied whale's penis, an immortal sheep that once inhabited the mind of Genghis Khan, and a dying Class A war criminal. The chase takes the protagonist to a remote farmstead in Hokkaido where, amid the falling snow, he talks to a dead friend. Lurking in the background is a plot to re-establish Japan's Pan-Asian ideals of the 1930s and 1940s.

It's all a bit much. For the English reader a plethora of Chandlerisms at the beginning sets up expectations that are never satisfied. A fine line in beautiful realism delivers into, at best, a talented undergraduate romp. Murakami is full of ideas, but his ideas don't gel. Even so, at the end there is a message discernible that makes a kind of sense. What Japan has today in place of its imperial dream is an ordinary freedom for its younger citizens that amounts to little more than an ongoing ennu. Nothing means very much. The hero eats, drinks and "has intercourse" with the unnamed heroine. In Murakami's world, transience has become a down-beat alienation.

Justin Wintle



Scott Turow: disturbing accuracy

Lawyer as the odd man out

Stephen Amidon hails a fine second novel

FIRST THE bad news — Scott Turow's new novel does not quite take him to the Olympian heights he reached with his remarkable debut, *Presumed Innocent*. Now the good news — he has nonetheless produced a thriller that will certainly prove one of the year's best. Turow has once again written an engrossing crime story in which public transgression and private torment are woven into a seamless and compelling fabric.

Readers of Turow's first novel will recognise the hero of his second, Alejandro Stern, as the brilliant defense attorney from *Presumed Innocent*. Here, however, the respected, Argentine-born Stern finds himself at the centre of the storm after discovering that his wife Clara has committed suicide. As Stern investigates the causes of her death, he discovers a succession of deeply troubling facts, not the least of which being that the prime Clara suffered from mental disease and that nearly one million dollars has gone missing from her personal bank account. To complicate matters further, Stern's foremost client, a crude commodities broker who also happens to be his brother-in-law, appears to have perpetrated a massive fraud which involves the dim-witted husband of Stern's youngest daughter.

Stern sets about trying to sort out the muddle, his lawyerly curiosity tempered by fear of what dark family secrets he might uncover in the process. These dangerous circumstances fire not only his imagination but also his mind. The dumpy, middle-aged widower finds himself involved in no fewer than four romantic liaisons, including a compromising passion for the pregnant public prosecutor who seeks to put his client behind bars.

As he becomes more deeply embroiled in the investigation, Stern's roles as husband, father and attorney are profoundly challenged, threatening not only the dissolution of his family but also his impromptu role as a chain of surprises in which Stern's

THE BURDEN OF PROOF
by Scott Turow
Bloomsbury £13.99, 315 pages

public and personal dilemmas are brought together with masterful precision.

As with his first novel, Turow shows himself to be as much a canny lawyer as he is a fine writer, bringing a telling knowledge of the complexities of the American judicial system to bear on his story. From the decor of a judge's chambers to the unfairness of the grand jury system, Turow brings the legal world to life with often disturbing accuracy. At times, in fact, he overplays his hand as an expert, telling us a bit more about the darker side of commodities trading than we might want to know. And whereas *Presumed Innocent* was fuelled by a central crime of sex murder, some readers may find the financial wheel-dealing that informs this book a bit pallid in comparison. But all in all Turow manages to stoke his plot's engine with plenty of combustible material.

The novel also suffers in its portrayal of its hero's troubled psyche. One of the things that made *Presumed Innocent* so fine was the overwhelming atmosphere of claustrophobia and anguish surrounding Rusty Sabich, the book's narrator. Not just a prime suspect in the government's eyes, he was often uncertain himself as to his guilt. Here, however, no such tension informs the story. Stern's devastating realisations that he is the odd man out both in the trial he is about to defend and in his own family life are certainly poignant, but nevertheless lack the sense of existential dread that Sabich suffered. Stern is simply in the dark, rather than in it.

Perhaps it is unfair to stress too rigorously the comparison between *The Burden of Proof* and its predecessor. Better to compare it to the host of other novels currently trouncing under the guise of thriller. In this regard there can be no doubt that it is a fine work indeed, well capable of occupying anybody's late summer days.

Holy, holy, holy, guru almighty

IN THE winter of 1945-46, when I had come out of the RAF and Raymond Williams was back at Cambridge from the Guards Armoured Division, he used to walk over to my rooms in Emmanuel to discuss life, literature and the pursuit of Utopia.

Together with — among others — Wolf Mankowitz and B. Rajan we founded a society called "The New Contemporary" and invited such mavericks as Jacob Bronowski to talk to us. (We were hoping that Bronowski would speak about his book on Blake, but he chose instead to regale us with extracts from *Tender is the Night*, which he had just discovered and which we had never heard of.)

We were all mad about Blake, because he was one of F.R. Leavis's favourites. Although only a few of us in "The New Contemporary" were taught by Leavis, we were all strongly influenced by his ideas. Raymond and I were also interested in Blake because of his "Jerusalem" side. As his father was a railway signalman and mine had been a postman we had a certain affinity of background. We drifted apart because I went on to the Sorbonne and then to teach in the US; when I returned to England Raymond had finished editing *Politics and Letters* and had taken a job as an Extra-Mural tutor in Oxford. I knew he had been working on a book, the seeds of which we had discussed ten years earlier, and when it appeared in 1968 under the title of *Culture and Society* I opened it with the greatest anticipation.

I could not have been more taken aback. The prose was turgid and the organisation so loose as to be non-existent. What exactly was his line of thought? That terms like "industry," "democracy," "class" and "culture" had changed in meaning during the Industrial Revolution. However, instead of taking these words one by one and bringing out the significance of the changes, Williams had filled his book with essays on the kind of writer to whom we had been introduced as undergraduates under the heading of "Literature, Life and Thought." Individually some of the pieces were thought-provoking, as in the comparison of Burke and Cobbett; and the quotations were uniformly excellent. It must have been this which gained him his reputation with a wide range of readers because the praise was out of all proportion to the performance. Apart from this, too much was thrown at the reader in too short a space. A piece on Carlyle was followed by a dip into the "industrial novels" of Mrs Gaskell, Dickens, Charles Kingsley and George Eliot. Twenty-eight pages on Pugin, Ruskin and Morris were given the rather grandiose title of "Art and Society." The 20th-century section reviewed the work of D H Lawrence, R H Tawney, T S Eliot, I A Richards, F R Leavis and George Orwell, just to mention a few.

The *Long Revolution*, three years later, showed which way Williams's mind was moving. His public utterances and the appearance of such later publications as *Novels as Sociologists*, *Marxism and Literature*, *Problems in Materialism* and *Culture and Writing in Society* complete the picture. Between the 1940s and the '60s, from being a mild Leavisite Williams turned into a Marxist. It is a great pity because he sincerely wished to do right by his society. In the event, all he succeeded in doing was to help spawn the New Left in politics and the likes of Terry Eagleton

PEOPLE OF THE BLACK MOUNTAINS. II: THE EGGS OF THE EAGLE
by Raymond Williams
Chatto & Windus £13.99, 363 pages

CULTURE AND SOCIETY
by Raymond Williams
The Hogarth Press £9.99, 363 pages

in literary criticism. The simple truth is that politically-motivated criteria make nonsense of aesthetic judgments. Yes, there is such a thing as an aesthetic standard, and Williams accepted this at the beginning. Of those three workmanlike criteria which Leavis taught us and which enable us to talk intelligently about a piece of literature — analysis, comparison and evaluation — the last has been thrown out of the window to be replaced by a principle which seeks in its own way to judge but pretends that it does not. It is just that the standard is political and not literary. The criterion is not "is this piece of literature better written, more sensitive, more inspiring than



Raymond Williams: Leavisite turned Marxist

any other?" but "Does it advance the cultural revolution?" Chatto and Windus have seized the occasion of the publication of Raymond Williams's posthumous novel *The Eggs of the Eagle* reprint *Culture and Society*. The new novel is the second of a projected trilogy entitled *People of the Black Mountains*. A fictionalised account of Welsh border history, it has at its best a stirring *Rage Own Paper* pitting of the gallant Welsh against various invaders. The most one can say is that it is easier to read than Williams's non-fiction books.

But why do Chatto tell us — and Raymond's bemused followers no doubt continue to believe — that he was "a distinguished novelist"? If this is true, how distinguished were Frank Kafka, Thomas Mann, James Joyce or William Faulkner? And what are we to think when we are told that Williams was "one of the most influential thinkers of this century"? What price Freud, Jung or Bertrand Russell? To this to explain the adulation of this man, who was affable and good natured enough but far from being an original thinker and scarcely at the top of the class for clarity of exposition? My mind goes back to the Raymond of the 1940s. Were the seeds of it there? He was not the most articulate of our circle but he was single-minded. He ploughed the same furrow all his life and he tried his best not to be a bourgeois liberal humanist. For those who are looking for a particular style of leader the formula is there. Williams was a persuasive teacher, a rather a man of the people. Holy, holy, holy, guru almighty — only don't look too closely at what he is actually saying.

Geoffrey Moore

Eccentric behaviour abroad

A STRANGER IN TIBET
by Scott Berry
Collins £15, 310 pages

MOUNTAINS OF HEAVEN
by Charles Howard-Bury, edited by Marian Keane
Hodder & Stoughton £12.95, 175 pages

in Tibet. But his American biographer has decided to retell the story in his own words and with his own explanatory interpolations. As he reveals at the end of the book, Scott Berry does not trust Kawaguchi's testimony and disapproves of the monk's anti-Tibetan sentiments.

Even with its stylistic anachronisms and occasional wrong word (what do editors do these days?) this is a readable treatment of a very curious story. And yet I was not sure that the formula was completely successful. The quotations that Berry includes from Kawaguchi's own version of events left me feeling I was missing the real flavour of this strange character. Kawaguchi may have been wrong about many things, but he was interest-

ingly wrong. Necessary as the hand of a creative editor may have been, it is not help feeling that the monk had been somewhat smothered by his amanuensis.

Col. Charles Howard-Bury was an adventurer of a quite different and much more familiar breed. He was tramping through another region of central Asia, the Tien Shan mountains, not long after Kawaguchi's pilgrimage.

Howard-Bury was a man of almost incompatible parts, a soldier with a strong poetic streak and a deep knowledge of natural history, a big game hunter who, after bagging two stages on one godforsaken mountain, complained that the beasts were heading for extinction. The colourist editor, Marian Keane, comes from the same town in Ireland where the explorer lived and has done him proud. Personally, I soon tired of the hunting trips, preferring the descriptions of Tashkent, Samarkand, Bokhara and (all too brief) Merv.

After the First World War, in which he was captured twice, Howard-Bury led the first expedition to Mt Everest, became Conservative MP for Chelmsford in Essex and retired to Tunisia. He died in 1963.

Christian Tyler

Handwritten text: 1350

BOOKS

The opening of the autumn season sees the publication of three major new biographies

Dickens' world brought to life

HERE IS a new publishing house, that of Christopher Sinclair-Stevenson, the former chairman of Hamish Hamilton, opening its account at the start of a new autumn publishing season with a new biography of England's most celebrated novelist by the author of *Hanukkah*.

The timing and choice of subject are perfect, but what about the book? It is a mammoth one, as a glance at the number of pages reveals. Ackroyd makes inordinate demands on the reader's time, with no concession to any occasionally waning power of concentration by dividing the whole into parts, and the chapters into sub-sections, as some writers do when faced with a biographical narrative of this magnitude (Bösl on Henry James, for example).

By contrast Ackroyd presses on without pausing through 35 unbroken chapters. He needs first to be congratulated, not just on the stamina and industry involved but also on his scholarship, which rivals that of anyone in the field including several full-time academics. Ackroyd has mastered a formidable mass of documentation, not merely all that concerning Dickens, his large family circle, his friends and professional colleagues, acquaintances, helpers and servers, but of the whole world of Victorian England in which he moves with ease. Through the book he links the life of his hero with the relevant industrial, social, political, educational and scientific developments of 19th century Britain as well as with its changing literary culture.

The key to the period, nowhere more strikingly apparent than in Dickens's triumphant progress, was effort - ceaseless, unremitting effort - and it is therefore only to be expected that this effortful sensation should come to pervade the book. It is reinforced by Ackroyd's interesting conception of biography which he states on the penultimate page and which deserves to be quoted:

"To see Dickens day by day, making his way, the incidents of his existence shaping his fiction just as his fiction alters his life, the same pattern of emotion and imagery rising up from the letters and novels and conversations, the same momentum and the same desire for control - to see Dickens thus is to turn biography into an agent of true knowledge, even as we remember that the greatness of his fiction may lie in its absolute difference from anything which the life may show us."

Dickens day by day? Can any historical individual ever really be seen like that in a book except through his own diaries? Most biographers are content to settle for the con-

DICKENS
by Peter Ackroyd
Sinclair-Stevenson £19.95, 1195 pages

vention by which a life may be divided into "periods" (as we divide our own life when we look back over it) and to try to reveal the subject within these boundaries. Part One The Arnold and the Iron 1812-1833; Part Two The Climb to Fame: 1833-1837; Part Three: Troubles and Triumphs 1837-1839, and so on.

These are in fact divisions from Edgar Johnson's earlier biography of Dickens (revised and abridged 1977), in which the main outline of Dickens's complicated life with its great watershed-moments - the blacking factory, *Pickwick*, marriage to Catherine Hogarth, death of Mary Hogarth (wife's sister), *A Christmas Carol*, editorship of various periodicals, Ellen Ternan, break-up of marriage, public readings, illness and death - is much easier to grasp than it is here.

The virtues of Ackroyd's approach are not those of this kind of clear-cut biographical structure, but of direct and constant confrontation with the subject. He attempts to take us right inside Dickens's mind, make us see and suffer as he did at all these crucial moments and at

many less well-known turning-points.

Thus, in Ackroyd's account of the death of Little Nell, we start with Dickens walking along the cliff-top at Broadstairs seeing stars reflected in a pool - an image which becomes Nell's vision of stars and sublimity. Back in London in the winter of 1840 Dickens, who has a bad cold, works up to the little girl's death. He thinks back to his wife's sister's untimely death to condition his mind for that of his own fictional creation. "I am slowly murdering the poor child, and grow wretched over it." He is nonetheless pleased artistically with the effect. The mood of forgiveness it induces then inspires him to try to patch up a quarrel between two old friends.

At this point, having demonstrated the inter-action between Dickens's art and his life, Ackroyd switches from Dickens to the impact of the imaginary death - it made a great sensation - on Dickens's readers and on Victorian society as a whole. "... it is as if in the death of the virginal child there were many readers who lamented the death of their own innocence..." This leads to some reflections on the prevalence of infant mortality and child prostitution at this period, and to the conclusion that, "The Victorians wept over the very things they were destroying and perhaps there is a latent cruelty here which is very much like Dickens's own hardness."

Thus we watch Ackroyd chasing after one of the hares he has himself started, and these excursions, sometimes quite brief, at others more sustained, become a regular diversion from the main thread of the life. When Dickens goes to Italy we pause for a disquisition on his taste in painting, his preference for academic and narrative art, and this leads to a further consideration of his entire aesthetic as it related both to painting and to fiction. This is all fascinating stuff, but it nonetheless represents massive extra ballast to take on board, and there are times when the



ship comes perilously close to sinking.

Nonetheless a strong, shifting impression of that most extraordinary incarnation of wit-power and genius that was Dickens emerges. Somewhere along the line a not uncommon Victorian story of a small boy, determined against impossible odds to succeed, turns into a latter-day version of King Lear. Dickens becomes older and madder as he becomes older, more successful and more powerful. His excessive conviviality is thoroughly matched by his sense of pique and his predilection for rupturing relations with those closest to him. This reaches its height in his separation from his wife Catherine after she had borne him 10 children. The family was split in half and Georgina, his wife's other sister, remained

with Dickens to run his household.

Exactly what happened is still not completely clear but undoubtedly Dickens's attachment to the young actress Ellen Ternan, who had appeared in a play of his and Wilkie Collins's, had a great deal to do with it. Ackroyd thinks that, although she and Dickens were almost inseparable after that, she never became his mistress. It was yet another instance of "the virginal child." I am inclined to question this view.

Dickens's other great consuming passion was for his public, manifested in that long series of readings he gave, touring the length and breadth of the country even just before his death, in a half-paralysed, half-blind condition. Ackroyd vividly describes this aspect of

him - Dickens as a public performer. The many descriptions of him in action are a welcome relief from the more speculative passages in the biography.

Finally, it includes an intermittent series of fanciful diversions in which Ackroyd imagines himself in conversation with Dickens - he imagines Oscar Wilde and others talking to Dickens, describes a dream he had about Dickens while writing this book, and he conducts an interview with himself about the book. Here we see flagrantly what is an ever-present danger, that of Ackroyd becoming the victim of his own remarkable virtuosity. But this does not seriously detract from what is an important contribution to our understanding of Dickens.

Anthony Curtis

Frieda's rose, thorns and all

SHORTLY AFTER D H Lawrence's death his widow Frieda said of him: "If England ever produced a perfect rose, he was it, thorns and perfume and splendour." Few others can have thought of Lawrence as a perfect English rose: in his lifetime it was more common to see him as the canker. Yet, startling as the image is, it is far from inappropriate.

Although he spent much of his life wandering the world, he was deeply, incurably English; people he met invariably commented on the aura of genius surrounding him and were either drawn to or repelled by the prophetic intensity of his personality; he is, also, arguably at least, the finest writer produced by England this century. If these various qualities do not quite make an English rose of him, there were always, as Frieda realised, the thorns. Everybody, he knew, simply everybody, felt them.

Most remarkable of all was the way individual characters

tics, whether attractive or unattractive, creative or destructive, seemed integral parts of his total being. As Jeffrey Meyers says in his preface to *D H Lawrence: A Biography*: "there was no separation between the artist who wrote and the man who lived." Jessie Chambers, the original of Miriam in *Sons and Lovers*, made the same point, only more tersely: "Lawrence's life went straight into his work."

This raises special difficulties for the biographer. If the connection between life and work is so direct, then it would be foolish for a biographer to try to compete with Lawrence in recreating, say, the working-class background conveyed with such power in *Sons and Lovers* or the sexual relationship with Frieda portrayed so frankly in the volume of poems *Look! We Have Come Through!*. Meyers's response to this prob-

D H LAWRENCE: A BIOGRAPHY
by Jeffrey Meyers
Macmillan £19.95, 445 pages

lem is two-fold. He offers a psychological interpretation of how Lawrence became the man/artist he was; and he tracks down the real-life events and friendships which, according to this kind of theory, Lawrence transferred into his fiction and poetry.

On the psychological side, Meyers emphasises Lawrence's lower-like relationship with his possessive mother and how this moulded, in one way or another, his life-long attitudes to sex. It was crucial for Lawrence's work not simply that he should break free from his mother's influence, and perhaps, technically, he did this by finally "killing" her. Yet he

remained drawn to older women: there was the sexual initiation by Alice Dax, and his elopement with Frieda Weekley. Both women were not only older than Lawrence: they were already wives, and Frieda the mother of three children. Lawrence was never to have children of his own, and that helps encourage further speculation. Was he impotent? Only in the final years of his life, Meyers decides, though there were clearly always sexual problems. Lawrence turned down the approaches made to him by other women, while Frieda openly taunted him with her many lovers. Was he, then, homosexual? Meyers gives a good deal of space to this question and decides that Lawrence was not simply a suppressed homosexual, or rather bisexual, for much of his life but that he also had a physical relationship with Wil-

liam Henry Hocking, a farmer friend in Cornwall.

Lawrence's work is repeatedly called in as evidence for these suppositions and conjectures, as it is also to elucidate the true nature of his large number of friends and acquaintances. These accounts read too often like entries in a reference book ("X was born in... grew up in..."), but when they work they make up the most attractive part of the biography. Meyers is excellent on Lawrence's terrifyingly fraught friendship with Katherine Mansfield, united as they were, in spite of everything else, by the TB they both knew would soon kill them. He offers a scathing portrait of the vacillating Middleton Murry; some revealing details about the seedy life style of Maurice Maugham, Norman Douglas, and others of their circle whom Lawrence met on his visits to

Florence and Capri; and incidentally, as it were, some interesting links between Lawrence and Robert Louis Stevenson.

It all makes engrossing reading, but little of it is actually new. To readers of *The White Peacock*, *Sons and Lovers*, *Women in Love*, *Lady Chatterley's Lover* and the rest, quite apart from other biographies, Meyers's interests in Lawrence are familiar, nor are his specific claims for originality very convincing. The "conclusive" evidence about that homosexual relationship sounds to me more like hearsay and the account of Lawrence "killing" his mother with an over-dose of morphine adds nothing significant to what we are told in *Sons and Lovers*.

Still, Meyers has made a genuine attempt to present Lawrence to us as Frieda's perfect English rose. If Lawrence's "splendour" escapes Meyers's control, some of the perfume and lots of the thorns are firmly captured.

Peter Keating

Travesties of verse

UNAUTHORIZED VERSIONS: POEMS AND THEIR PARODIES
edited by Kenneth Baker

Faber & Faber £14.99, 446 pages

Homer, bygone must be bygone.

Mr Baker's understanding of parody is closer to that of burlesque and travesty, where a serious treatment is applied to an unserious subject, than to literary parody; these are distinctions his introduction spends too little time discussing. One of the cleverest burlesques is Stanley J. Sharpley's "Chaucer: The Wagoner's Tale" (a Chaucerian parody on the wagoner's tale).

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is perhaps Mr Baker's maxim, in which case it seems more pedantic to print the original version alongside its so crudely mimicked offspring.

Mr Baker is also fond of travesties, which use the style of the original to describe some topical or political event. He borrows heavily from the *New Statesman's* Roger Woodis (printed as "Woodis" in the index) who is adept at rewriting old poems in the form of jokes at political events. The examples Mr Baker chooses are generally at the expense of Labour's nuclear disarmament fudge or the SDP's disarray. Mr Baker declines to be impartial, in which case he ought to have included among his parodies of Browning's "Oh, to be in England" Ezra Pound's 1945 effort, which begins "Oh, to be in England! Now that Winston's out! And there's room for doubt..." Admittedly, Pound was a bad parodist but the question of what makes a good or bad parody is never addressed.

Dylan Thomas and John Davenport's parodies of Spenser and Empson apart, there are few true literary parodies in the book. The best literary parodies go beyond the surface mannerisms to the heart of a writer and humorously expose him. They rely on a broader acquaintance with the spirit of a writer than the crib of a single excerpt can pro-

vide. There are exceptions, notably Lewis Carroll, who so cleverly manages to distill the spirit and the letter of the original into his parodies (as in the White Knight's version of Wordsworth's "Resolution and Independence" in *Alice Through The Looking Glass*) that a comparison is valuable. When the poet Henry Reed won a *New Statesman* competition with his T.S. Eliot parody, "Chard Whitlow", Eliot particularly applauded it. The reader will be left bewildered by Mr Baker's taste and scissors approach. Quoting snippets from "Little Gidding", "Gerontion", "Ash Wednesday" and "The Rock", he makes it seem as if Reed were merely intent on hammering together turns of speech in as few a number of lines as possible.

The anthology of parodies that has still to be beaten is the 1960 Faber edition compiled by Dwight Macdonald, who was a staff writer on the *New Yorker*. The best of Macdonald's examples are repeated in this new anthology, although it is a shame that Baker's poetic brief prevented him from including such masterly prose parodists as Beer, Cyriel Connolly and Ken Tynan.

But there is Raleigh's riposte to Marlowe ("If all the world and love were young"), Hugh Kingsmill's Houseman parody ("What, still alive at twenty-two, a clean upstanding chap like you?"), and Firman Houghton's parody of Robert Frost, "Mr. Frost Goes South to Boston."

Mark Archer

Penchant for axe-grinding

AS THE appearances of Harry Kesselman's rabbi-cleuth David Small grow less and less frequent, Joseph Telushkin's Daniel Winter is apparently being groomed to take his place. But after a promising debut, this second Winter tale is a keen disappointment. Moved by some appalling real life miscarriages of justice, Telushkin and his rabbi seize this opportunity to add to their already long list of crimes, and by implication, they seem also to advocate taking the law into your own hands when justice is denied. The result is a shrill and distasteful book, and, furthermore, an ill-told story.

Crime novelists have a penchant for grinding axes, and not always to be used by some Lizzie Borden rediviva. The death penalty is a favourite cause; in the US hard-boiled narrators also frequently launch accusations of criminals being coddled by strict observance of the Miranda rules. Of course, novelists have every right to hold views and express them, but sermons make tedious reading. It can be done more subtly, as Gerald Hammond, for instance, ably demonstrates. In *Let Us Prey* he makes not so gentle fun of an ecological extremist, and argues the case of wildflowers and sportsmen. The reader may not agree, but it is hard to resist Hammond's carefully gauged story. Animal rights fanatics - now alarmingly topical - figure in the latest Mark

Treasure adventure by David Williams; here again opposing positions are admitted while Treasure and his wife move through the sordid malversations of a drug company and its executives with their usual style and aplomb.

In *Terramus* Andrew Puckett has a good deal to say about care of the dying, privatisation of medicine, and the operation

of charitable institutions; but he says it all in asides, while he gets on with the understated exploits of his protagonist, investigation drug theft and murder. Even an ingenious reader can see the final twist coming well in advance; but prescience will not detract from enjoyment.

William Weaver

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'Ma Hump' to the smart set

IN ONE of Max Beerbohm's more cruel caricatures, a masterful hulk of a man leans on a giant fireplace while at his feet an awkward little girl, "Miss Mary Augusta," looks up cringingly and asks "Why, Uncle Ma, oh why will you not be always wholly serious?" When this cartoon was published in 1904, Matthew Arnold was dead and Mrs Humphry Ward, nee Mary Arnold, was 53. Now forgotten, she was a household name, best-selling author, social reformer, founder of Somerville College, Oxford. She had debated with Gladstone; Tolstoy called her England's greatest novelist; and in 1908 President Roosevelt told the Kaiser that he could spare him only 20 minutes because he had an appointment with Mrs Humphry Ward.

Beerbohm scratched the surface of the grand cast list and pierced the spirit of the woman: a little Arnold girl desperate for approval. Now in a sprightly new biography John Sutherland delves into the Arnold dynasty and pursues the phantom of the child within the grey-haired matriarch who came to epitomise an age, class and value-system: the inviolable flag, as Sutherland sees her, of the great ship *HMS Late Victoria*.

It is a compelling study. Sutherland is a natural biographer, sensitive to his subject but never fawning, witty, erudite, absolutely at home with the social, political and religious ideas of the period. This is Mary Ward in her milieu, the anonymous face among the close-knit Arnold-Huxley-Trevellan family coloured in and given perspective and depth.

The granddaughter of Thomas Arnold of Rugby, she was schooled by her father, then in ritual obedience to the Doctor. Her first word, uttered while his dominating portrait in the family drawing room, was said to have been "Grandpapa," and she grew up convinced that to occupy the moral high ground was an Arnold birthright. Religious and philosophical dispute was the family life-blood - when Tom converted to Catholicism the first time, his wife threw a brick through the window of the church which had received him; the second time she left him - and Mary, neglected in favour of her less talented brothers, became a solitary blue-stocking.

It was a neglect which spurred her on to relentless achievement. Despite Uncle Matthew's discouragement - "no Arnold can write a novel; if they could I should have done it" - her novel of religious doubt, *Robert Elsmere*, catapulted her to fame in 1888. Gladstone wrote a 10,000 word review, genteel ladies fought over it in subscription libraries, 100,000 copies sold in America and a pirate edition was handed out with a new soap brand to emphasise the link between cleanliness and godliness.

Today Robert Elsmere and his worthy wooden successors (*Marcella*, *Helbert of Bannisdale*) are virtually unreadable, but for a heady decade they had her finger on the nation's pulse and a hand grasping towards every publisher's chequebook. She got very rich very quickly - Sutherland is inspired on the

MRS HUMPHRY WARD:
EMINENT VICTORIAN,
PRE-EMINENT
EDWARDIAN
by John Sutherland
Oxford £16.95, 432 pages



Mrs. Humphrey Ward, nee Mary Arnold, in 1890

mechanics and profit of Victorian fiction. She became an ambitious businesswoman and a respectable philanthropist, and yet most of her savings went on bailing out her will-of-the-wisp father and brother, her husband, *The Times* critic, who loathed the French Impressionists but "speculated" on undiscovered Rembrandts and Vermeers, and especially her reckless gambling son Arnold. "Though her health and her writing suffered, she worked like a fiction machine to keep her men sweet and solvent."

The most interesting thing about Mary Ward is that at a time when feminism and women's suffrage were taking root, this sponsor of female education stuck to her chaste name (leading to the gibe "virtue has its own Humphry Ward"), wrote anti-divorce novels and finally, enticed by old friends in the Lords, headed the Women's National Anti-Suffrage League.

Why did she do it? Sutherland suggests that Mary Ward's entire life was about seeking male Arnold approval and that this made her susceptible to any father figure, from high-brow Jowett to doddering Lord Curzon, who looked kindly on her. Like many strong women, she had a need of feminism, precisely because such men did take her seriously, and seeing that she could join them at their own game, at the centre of the intellectual or political debate, she saw no point in trying to beat them.

For one so keen to be at the heart of things, it was a fatally myopic view. As the Edwardians stepped down from their Victorian stilts and left theological feuding for another day, Mary Ward became a cultural relic in her own life time. "Ma Hump" to the new smart set, the absurd Mrs Fox in her nephew Aldous Huxley's *Eyesless in Gaza*. John Sutherland's biography is a brilliant account of why his subject is no more than a footnote in history, of the decline of an intellectual dynasty, and of the shifting focuses of thought from late Victorian to early 20th Century England.

Jackie Wullschlager

An Eye for an Eye
by Joseph Telushkin
Collins, £11.95, 221 pages

Let us Prey
by Gerald Hammond
Macmillan, £11.95, 157 pages

Prescription for Murder
by David Williams
Macmillan, £11.95, 188 pages

Terminus
by Andrew Puckett
Collins, £11.95, 192 pages

Quayle did not much like RADA either. The Royal Academy of Dramatic Art, to which he went after Rugby, "had little or no artistic policy, no discernible outlook on the profession that it served. But then," he adds, "with the exception of the great Repertories like Birmingham and Liverpool, there was little policy or artistic outlook in the nation's theatre as a whole. The English Theatre



Barrie & Jenkins £16.99, 368 pages

the Rock at the same time. Quayle's task was to ensure that the two of them never met. At the end of the day Sikorski's plane took off for London, then crashed. Quayle tells absolutely straight the story of how difficult it was to find a coffin for the General's body. When a receptacle turned up, he scratched an "S" on it with a penknife. The coffin then burst emitting a

It is a pity, as I say, that the autobiography is unfinished. Yet perhaps the early life is always the more interesting because it is the least known. And Olivier's remark about Quayle not having enough personality to worry a leading man was more subtle than he knew. Quayle was a leader

The suggestive power of image in the mass media is one of the most interesting aspects of 20th-century life. Evidence proliferates through *Graphic Design in America: A History*, a loan exhibition at the Museum organised by the Walker Center in Minneapolis and the New York Institute of Graphic Arts in New York.

Anyway the formula obviously works and this year Colnaghi are staging another large loan show: "Claude to Corot, the Development of Landscape Painting in France" opens November 1. The exhibition, in aid of the Frick Collection, will include about 60 paintings and drawings and the list of lenders includes the Met and the museums of Cleveland, Boston, Philadelphia and San Francisco. About one third of the exhibits will be for sale, among them two oils by Claude, a Gaspard Duguet, a Boucher, a

Homan Potterton
describes the
winning formula
to attract
American
collectors

between Madison and Park Avenues. Feigen has restored the facade of the house but the interior has almost been entirely rebuilt. The new gallery is to look like "the interior of the Galleria Nazionale in Palma," with bare brick walls that are "ideal as a backdrop for paintings of all periods." Technically, the new space will have museum conditions of humidity control, security and lighting, and the letters of request for loans from museums all over the world are already on Feigen's desk ready to be signed. The requests are for a Spring Blockbuster: *Thirty Five Years of Masterpieces* — all of them

Piero Corsini also has an Old Master's exhibit this autumn. Corsini is the man who a few years back bought an unrecognised Titian for a song

What promises to be an exceptional exhibition is a Lovis Corinth retrospective which will be on view at the Galerie St. Etienne from September 11. The show, timed to coincide with the publication of a new monograph on Corot by Horst Uhr, will include about 100 paintings, drawings and prints. A number are being borrowed from museums in Germany. Corinth, who bridges the gap between late 19th- and early 20th-century painting in Germany, and is a seminal figure, is not well known in the U.S. As a result his works are still undervalued. The evolution in his style is remarkable: there are late 19th-century portraits, for instance, which are not far removed from the work of the English painter, G.F. Watts; but then there are later watercolours, particularly those of the Waldensee, which are by way of the Impressionists. Some views of Amsterdam done in the artist's very last years point forward to Kokoschka. A spirited drawing of Salome from 1897 demonstrates Corinth's power as an draftsman. So the prints in the exhibition which range in price from as little as \$5,000 upwards.

This appointment was about as logical as expecting David Hare or Oscar Wilde to take command of troop movements, but then few of the censoring officials were what could be called practising thespians. Lord Cobbold, the last Lord Chamberlain forced to wield the blue pencil, was a former banker. The post of Examiner,

Early Morning by Edward Bond was more tricky: as an admirer summed up the plot, Queen Victoria was a dyke and had a lesbian affair with her lover, the Duke of Devonshire. Bond did not recommend it for licence; he didn't like the censorship it contained, for a start. "The characters should be allegorical," he suggested helpfully, but instead the Royal Court tried to get round the law with a "club" production of the play, "dragging" it over with Marianne Faithfull as the Lady with the Lamp, whereupon the Vice Squad was tipped off and the first night was also the last.

With the abolition of censorship, *Early Morning* was

for instance, launched a high-minded series entitled "The Great Ideas of Western Man," a clever exercise in corporate advertising identifying the company with the public good.

The show offers a visual history. Inevitably, it is also a social history, and a technological history. Technological advances facilitated the development of an increasingly expressive relationship between man and machine and image. Design was liberated by the invention of machine set, then off-set printing, motion pictures, and now by the myriad possibilities of computer-generated graphics.

As the century progressed, American design also began liberating itself from an aesthetic dependence on fine art. The lead was taken from European Bauhaus Modernism, and the emigré designers who made their homes in the U.S. The traditional relationship between design and the "great art" was eventually turned on its head with the advent of Pop art in the 1960s, which

A woman of importance

On Wednesday, Radio 4 gave *A Scandalous Woman* of a different brand - the Victorian poetess Caroline Norton of whom few will have heard today, nor know what we owe her. (She is not in the *Oxford Companion*.) George

I embarked on Radio 4's
x-part feature *The Germans*
Thursday because I thought
might contain some more
cent revelations of

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The Official London Theatre Guide

[illegible]

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PROPERTY

Poll tax effect bites deeper

POLL TAX charges already have been cited as an additional deterrent for first-time buyers, especially in the north. While an individual community charge may represent little more than the former rates bill on more expensive properties, the levelling out of the charge on to a personal basis can have a significant effect on the monthly outgoings of joint-income purchasers already daunted by high mortgage rates.

Stern Studios, which specialises in the sale of smaller London flats, reports equally significant effects of the community charge in its market. The London agents have been seeing much the same caution among first-time buyers about the

delve into right now. But it is the sleepless nights in store for the district valuers that are worrying country property agents. Drewett Neate, after seeing the Labour Party's proposals for replacing the community charge with a rate based on open-market values. This invokes this summer's thorny issue of how to arrive at a realistic figure of open-market value without completing a sale.

The market values of average town or estate houses in an area might be established without too much trouble and updated on the basis of price indices. But it would be tough to try to establish an agreed open-market value on a big period house, or on any property that was out of the ordinary.

That, say the agents, would present an insurmountable problem for district valuers' offices, which were submerged in work even before staffing levels were trimmed.

The Labour Party's plans, so far, do not allow for the obvious solution, which is to base a rate charge on the last recorded open-market sale price.

Stately homes which last sold in the 18th century for £200 would win out on that basis. But there are not enough of them to be statistically significant. Given that the average home move takes place every six or seven years, any register of open-market values would not get too far out of line with reality.

Even in the case of a sale after a period of high property price inflation, such a valuation base would have a self-regulating effect. What the existing owner gained in terms of rate saving as the market value overtook the property's last registered sale value would be balanced out by the loss in capital gain as prospective buyers made allowance in their offers for the extra rate burden they would be undertaking by establishing a higher valuation base at the new open-market value.

The other advantage of that real-price approach would be to ensure owners were not penalised, as they were under the old rates system, for improving their homes. Improvements could be left to be reflected in the eventual sale price, which would be suitably tempered by the next owner's calculations of rate charge.

Such an ostensibly neat solution to valuations for local property tax suggests an inevitable hidden mass of complications. In this case, there are none. But registering open-market values in terms of actual sale values is, of course, far too simple to get into any political programme.

John Brennan
observes the latest
responses of the
market

proportionately extra cost of the poll tax on lower-priced homes as their counterparts in the north.

But in London there is scope for a considerable shopping around among the boroughs. This does not merely mean buyers limiting their search to low charge boroughs. Would-be buyers are concentrating on boroughs where rate capping or promises of reduced spending programmes suggest increases will be contained in the future.

London boroughs' imposition of double personal rate "standard charges" on empty flats, and on each eligible member of the family of second property owners, are also affecting the flat market.

Stern Studios' director, Tom Trudgian, reports that these owners have been prompted to arrange high speed reletting or sales of empty properties. And although second-home buyers seem to have been deterred by a charge which invariably has meant a substantial increase over the costs of rates, Stern reports an increase in the number of professionals and business people who are buying a small flat as a London base as a direct alternative to paying for an equivalent small office space now that commercial property overheads have been increased by the imposition of the Unified Business Rate.

The point at which a residential pied-à-terre becomes a business base is a question that not too many of London's overstretched local planning offices would want



Twiggy's nest: The Rookery near Bicester home to the former model and her husband Leigh Lambton on the market with a guide price £350,000

Oxfordshire dreams fade as motorway concrete hardens

AS LONG as the M40 motorway faded into a normal road south of Oxford, property prices in the county divided fairly neatly into the commutable and the "half an hour too far" for travellers from London.

Over the past five years every inch of the planned route of the extension of the M40 through to Birmingham has been memorised by agents and home hunters alike. The consequent levelling out of prices across the county, as buyers worked out the prospective time saving on travel, had been given further impetus by the improvements in the InterCity rail services to Marylebone, Euston and Paddington.

But even though the motorway past Oxford and Banbury is finally in sight of completion, route maps of the county have been put away as the sale market has thinned out.

A couple of years back, the fact that it stands just two miles from what, by 1991, will be the Wendlebury access point to the new M40 would have filled the streets of Chertsey with weekend home hunters.

Oxfordshire attracts far less of those travel-time obsessed viewers these days. There are, in any event, fewer good properties being brought to the market to look at.

That makes The Rookery stand out. It is a three to four bedroom stone-built house with an acre of garden that once formed part of the neighbouring Bignall Park Estate, two miles from Bicester.

Golfers know Chertsey for its own course, the hunting set for the covers around Bicester, and for the remaining travel-time fanatics, British Rail claims a service time of an hour and 12 minutes from Bicester to London, Marylebone.

For everyone else, it is a pleasant family home that has been upgraded and maintained by actor Leigh Lawson, his wife "Twiggy" and their family as a place for the weekends.

The Oxford office of John D Wood (Telephone: 0865 311522) has set a £350,000 guide price on the freehold.

J.B.

J.B.

Gulf tides begin to rock London

GEORGE POPE of John D Wood sums it up neatly and completely. "They are not in a buying mood."

The Gulf crisis has raised speculation about the possibility of a further wave of Arab home-buying in this country. However, while there is strong anecdotal evidence to suggest there already has been a significant flow of cash from personal accounts in the Gulf to European and US banks, it is too early to say whether much, if any, of this will find its way into UK property.

Most of the leading Arab families already have a more than adequate number of homes in the UK. Senior members of the Kuwaiti, Saudi and Jordanian Royal families, as well as those of the United Arab Emirates, have both town and country properties in Britain along with homes in New York, on the west coast of the USA, in Switzerland and in Spain.

Residential interest now is focused on the crucial second tier of

wealthy Gulf families - those with a home or two abroad, but with renewed reason to seek additional real estate holdings in politically stable climates.

As an established part of the prime property market in London, and in the equestrian property market in the country, wealthier Gulf-based owners and their families have been as interested in trading across and up-market as any other wealthy families.

The growth of the private health business in London has provided a focus for another layer of less wealthy temporary Gulf Arab residents staying in rental apartments financed by their governments' generous private health provisions.

Again, it is far too early to know whether the Gulf crisis will have any long-term impact on this, until now, steady inflow of private health care visitors.

Insofar as there has been any hard evidence of Arab property activity in recent weeks it is in their continued progressive exodus from Spain - primarily because of security scares - and in the increased amount of interest being shown in adding a Parisian town house to their worldwide portfolio.

Much of the activity in Paris is directly related to the active intermediary work of Lebanese traders and developers. Over the past two years they have been conspicuous in concentrating on acquiring houses and apartments, mainly in the Champs Elysee quarter.

In recent years, Arab owners in the UK have been quite as active as buyers, especially after the stockmarket collapse in Kuwait in the mid-80s. That forced a number of prominent Arab investors, who had become active at the top end of the residential development

market in central London, to dispose hastily of properties in the capital.

Indeed, after the initial wave of buying activity following the oil price hikes of the early 1970s - when the publicity given to individual Arab buyers and Arab-financed consortia gave rise to the image the oil sheik with an ever open and inexhaustible chequebook - UK property dealers swiftly discovered that the Gulf's families had not survived for centuries as international traders without learning the patient arts of deal making.

Although intermediaries and commission-seeking introducers encouraged many central London and top country estate agencies to believe they were a phone call away from an overnight cash deal, few such approaches came to anything. There was far more talk than action in the market then, as now.

COUNTRY PROPERTY

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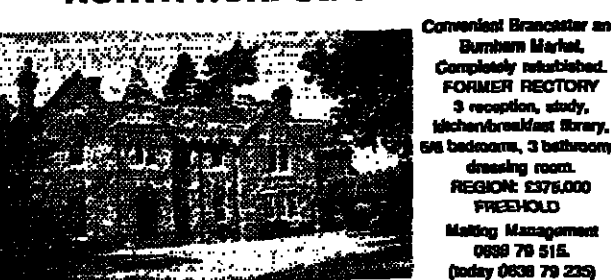
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TRAVEL

A gentle stroll along the Tuscan Trail

'This is a holiday, not an endurance test', the tour company promised. The promise was kept, as Philip Barron discovered.

EVERYONE perked up when Sandra spotted the white Mercedes minibus parked under trees a few hundred yards away. After walking for two-and-a-half hours, we knew that we would soon be putting our feet up and enjoying a good meal deep in the Tuscan countryside.

Some members of our 16-strong group had never been on a walking holiday before, and the daily rendezvous with our tour support vehicle was always a good moment. The TSV not only brought us our lunch but also transported our luggage to the hotel ahead of us. And it meant salvation for any faint-hearted who, under the midday sun, might feel they had done enough foot-slogging for one day.

Two of these small buses had picked us up at Bologna airport, a couple of days earlier, and conveyed us swiftly down the E35 to Montepulciano, the starting-point of our Southern Tuscan Trail. As my rambling is normally limited to short distances, I had joined the trip with slight misgivings, but the unusually detailed brochure put out by Alternative Travel Group was reassuring.

'This is a holiday, not an endurance test', it proclaimed. The daily hours of walking would range from two to seven and no shame would attach to hitching a lift in the TSV. One could even opt out for a day and go sightseeing instead.

Alternative Travel's founder, Christopher Whinney, based his venture on the proposition that the best way to see a country is on foot, so the walking is more a means to an end than an end in itself. He aims to open up areas where good paths are not easy to find, so he concentrates on countries like Italy where walking is unfashionable, rather than Switzerland or Austria which go make an effort to mark routes.

'The route must be a continuous one,' says Whinney. 'Going from place to place is far more rewarding than walking in circles around a centre.'

These deals are not cheap. The 'land cost' is from £845 upwards (depending on destination); you have the choice of taking a recommended flight or making your own way to the starting point. However, the price does include hotel rooms with private facilities, all meals and exceptionally good back-up provisions.

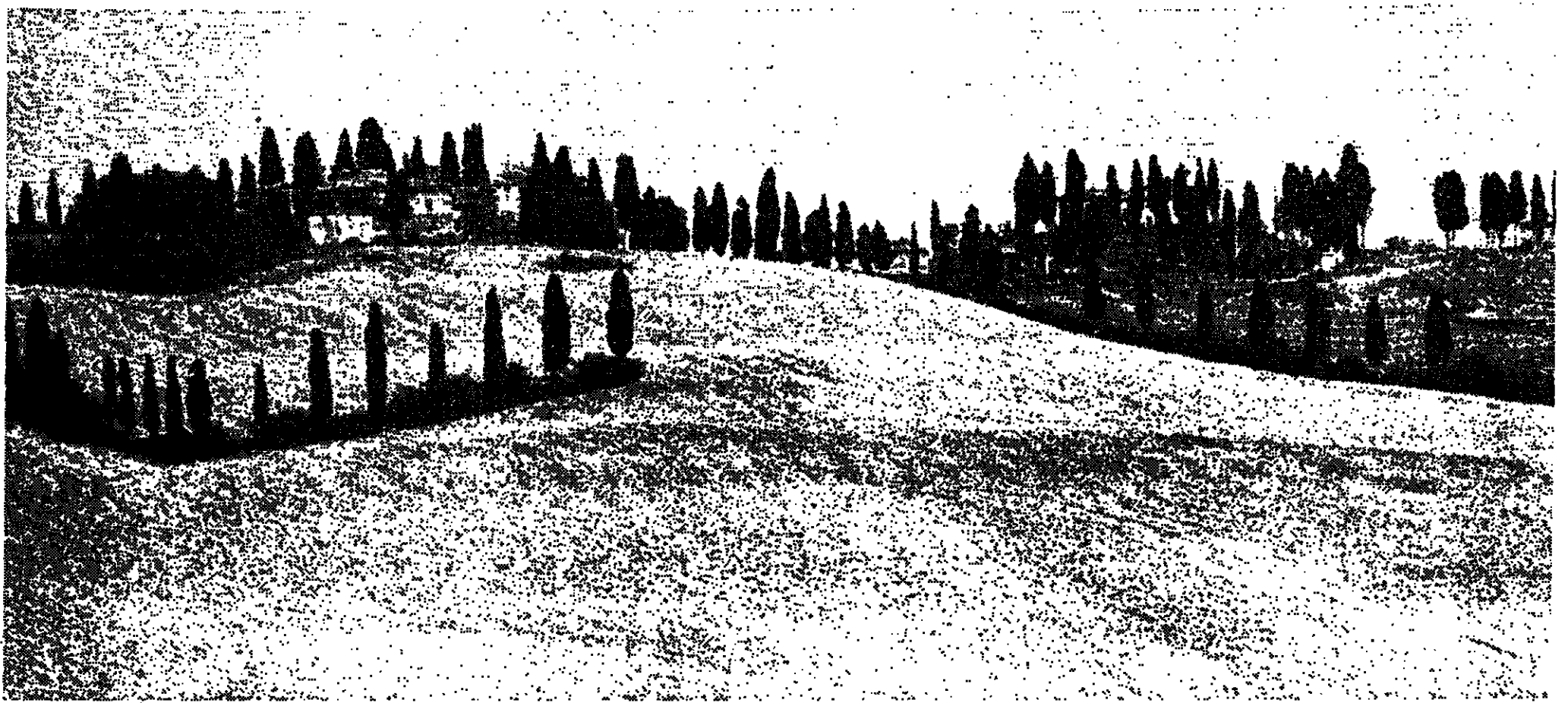
Each group is accompanied throughout by two staff members: one who knows the way and another who sees to the logistics. Frances, an Englishwoman who had lived in Italy for several years, led our walks. Rachel, a young Scot with a degree in Italian, was our tour manager. Among her many duties were rising early to buy fresh food for the daily picnic, getting it ready and shifting the luggage (it is amazing how much weight some people can pack into a single suitcase). Rachel was also responsible for choosing restaurants and planning the dinner menus.

These holidays are not just rambling for softies. The leaders know their area and are happy to answer questions. But they do not lecture. A company rule forbids them to talk for more than two minutes on any one flower, monument or cultural sight.

Day 2 saw us off to a gentle start with a free morning in Montepulciano, an impressive hill town noted for its architecture and its *vin de la table*. Day 3 was when the walking started in earnest. We followed farm tracks and woodland paths, past vines and olives, to the walled village of Monticchiello. Broom and lucerne flourished around us. The morning walk took two-and-a-half hours. After lunch, another two hours brought us to Pienza.

Day 4, a rest day, began with a visit to Pope Pius II's palace. Later we rode in the TSV to the village of Bagno Vignoni. Nearby is a hotel with a swimming pool, and arrangements had been made for us to take advantage of its facilities before returning to Pienza for a second night.

By now I had got to know



A landscape which invites walkers: Alternative Travel insists that the best way to see Tuscany is on foot

my fellow walkers. They ranged in age from middle-aged to about 80 and all had business or professional backgrounds. There were six married couples (an unusually high proportion, I was told) and four singles, two of whom were travelling together.

The fifth day involved six hours' walking to Montalcino, another medieval hill town. It was hot, and after the lunchtime siesta two of us boarded the TSV to go straight to the hotel. After a morning which left us free to see Montalcino's well-preserved castle and museum of Sienese art, we strolled to the exquisite Romanesque church of San Antimo nearby, partly built of alabaster and onyx.

By Day 7 I had developed a blister and Frances prescribed a walk-less day, but I was able to join the group when the TSV met them at Monte Oliveto, a Benedictine abbey on the road to Buonconvento. The following morning the local art

gallery, officially closed, was opened for us and we were able to see more fine Sienese paintings before resuming our trek, making for Casciano di Murio. Day 9 was the big one: the march on Siena, 12 miles away. As we enjoyed the last of Rachel's picnic spreads, a nightingale's song lent an idyllic touch to the mid-day break. Then it was onward and upward until, summoning reserves of energy for the final uphill stretch, we entered Siena through the San Marco gate.

No-one who walks occasionally at weekends and is reasonably fit need have any qualms about trying this holiday. Alternative Travel also goes to other parts of Italy as well as France, Spain and Portugal and, for the more adventurous, India and eastern Turkey. The 'land cost' for the Southern Tuscan Trail is £960 for 11 days. Alternative Travel is at 13 George Street, Oxford, OX1 2AZ, tel. 0865-251195.

Snapshot/Michael Thompson-Noel

Cookery classes with style

I DID NOT have my chopper with me, let alone a half-moon or double-handed one - *la mezzaluna*. Come to that, I had forgotten to pack my mouli-é-gume (*il trinitutto*), or my cheese-grater (*la grattugia*), or my nutmeg-grater (*la grattugia per la noce moscata*), or my saucepan (the very large one - *la pentola* - which holds about 7 litres) or even my pasta machine (*la macchina per la pasta*).

However, that didn't matter, because the short Tuscan cookery course I attended recently at the Melazano estate near Greve, in Chianti, about 18 miles south of Florence, accommodates out-and-out beginners

like me as well as the relatively sophisticated.

On three evenings of the week, Lisa Anichini, the daughter of the house, conducts civilised lessons which form the centrepiece of a relaxed and entertaining week's holiday in this most favoured of spots.

You don't have to cook. You can watch and take notes, or drink yourself silly, while Lisa conducts proceedings.

Lisa is a beauty, Florentine-trained. While preparing her dishes she is generally watched over by Rosina, her former nanny, who clucks approvingly or disapprovingly if the beauty under or over-steps the mark

with the garlic or oregano. In fact, Rosina does most of the real work while Lisa holds forth.

One evening the beauty was dressed in a red silk gown with frivolous sleeves and a heavy gold necklace, possibly ancestral, for the Anichini family has owned the estate for 300 years.

She showed us how to prepare and cook Tuscan bread and tomato soup, chicken liver paté and *ossibuchi*. Then we ate it. Another night she cooked tomato soup, pasta and roast pork with herbs. We ate that as well.

We stayed in converted apartments in the farm build-

ings close at hand. Everything was convivial. You can visit neighbouring estates and sample their products. The Melazano Estate is also available (except December and January) for independent self-catering holidays.

The Melazano Estate is also available (except December and January) for independent self-catering holidays. **The Melazano Estate is also available (except December and January) for independent self-catering holidays.** **The Melazano Estate is also available (except December and January) for independent self-catering holidays.**

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FOOD & WINE

Auctioneers toast healthy trade in wines

LONDON-BASED wine auctioneering has been dominated by Christie's since the auctioneers resumed it in 1986. Judging by its results for 1989 to 1990, business is healthy if not sparkling. Prices tend to rise from year to year but seldom sensationally. In the season just ended, Christie's held 41 main sales in the UK with a total turnover of £6.46m (11.5 per cent higher than the previous year's figure). Proceeds from the 11 overseas sales in the US, Geneva, Amsterdam and Tokyo rose much faster to £3.39m (a 45 per cent rise on last year), largely because of increased US sales.

Sotheby's, which claims now to have solved its recent administrative troubles, returned a total of £2.87m, ten per cent down on last year. The third London wine auctioneer, the Chicago-associated International Wine Auctions, sold a total of £282,000.

Christie's estimates that a third or more of the wines sold in its London auctions are bought by foreigners, but the pattern is changing. The fall of the US dollar reduced the formerly high volume of US purchases. US trade buyers have been especially cautious. This has been more than balanced by increased demand from Europe which has also been evident in the *en primeur* market in Bordeaux and Burgundy. Scandinavian, Swiss, German and Japanese buyers have been more in evidence. At Christie's this year, a Japanese buyer paid £2,500 for a case of Romanée-Conti 1989.

Christie's figures show that claret now keeps the salerooms going. More than 40 per cent of the £5.5m proceeds from fine wine sold in its King Street rooms was from red Bordeaux. The oldest claret vintage for which there is at least an outside chance of buying a case is 1945. In the last 12 months, a case of Lafite (with the previous year's highest price in brackets) fetched £4,000 and Mouton-Rothschild £10,500. Haut-Brion went for £2,500 in 1989. A single bottle of the very rare Pétrus this season

FIRST AND OTHER LEADING CLASSIFIED-GROWTH 1985 CLARETS				
	Typical 1989 prices in £s per dozen	1989 prices realised in £s per case	Top 1989 prices in £s per case	
Lafite	500	650	480	
Latour	500	650	370	
Mouton-Rothschild	465	605	400	
Margaux	465	605	380	
Haut-Brion	525	680	380*	
Cheval-Blanc	465	605	420	
Cos d'Estournel	175	225	220	
Ducru-Beaucallou	285	345	175	
Leoville-Las-Cases	300	380	240	
Palmer	285	345	200	
Pichon-Lalande	230	300	230	
La Mission-Haut Brion	420	545	240	

included 2680 (Palmer), £520 (Lynch-Bages) and £480 (Ducru-Beaucallou).

After the poor to no-moderate moderate vintages of 1972, 1973 and 1974, the 1975s were speedily talked home. Many claret amateurs bought them for laying down and have held them ever since 1976. Yet Sotheby's have tried to wait for them to lose their tannin and come more into a fair balance between fruit and acidity. So some prices have tended to fall or increase only marginally



this year, particularly among the secondas. For example, prices (with last year's top prices in brackets) included: Ducru-Beaucallou £380 (£250), Leoville-Las-Cases £320 (£240) and Lynch-Bages £250 (£240). But exceptions have been the sought-after La Mission Haut-Brion £1,300 (£1,100) and Palmer £500 (£400). The first-growths have continued to rise also: Mouton-Rothschild £300 (£250), Lafite £780 (£720) and Cheval Blanc £550 (£500). Pétrus, thought to have very good prospects, has risen from £1,850 to £2,400.

Surprisingly, the 1978s, which had been saved only by fine pre-vintage weather and dry harvest, attracted a good deal of attention when first offered, but generally now stand at a lower level than the less drinkable 1975s. Mouton-Rothschild topped at £300, Lafite at £700 and Cheval-Blanc at £480. Only Latour rose £100 a case to £750. In contrast the 1982s, the most sought-after until the 1988s, after a flat period have continued to rise steadily. Mouton-Rothschild and Cheval-Blanc, which both started with an opening retail price of about £385 a case, this year have risen to £580 to £1,000 and £550 to £500 respectively. Lafite & Latour have both touched £880, but Margaux, not highly esteemed for this vintage, has been no higher than £680. Pétrus, of course, has been far higher than any - £2,500 to £2,800. Some of the top leading secondas, whose opening duty-paid, delivered prices were about

A shortage of dough

Nicholas Lander says investing in a restaurant won't make you rich

WOULD YOU enjoy dining in a good restaurant of which you owned a small share? Do you like a gamble with some spare funds, particularly when the market is near the bottom? If so, would-be restaurateurs and chefs up and down the country would like to hear from you.

Restaurants have not had an easy year. This is partly because high interest rates have affected demand as in so much of the retail trade, but also because the hot weather and the World Cup have had an impact on the more profitable evening trade. Restaurateurs, however, may not have responded quickly enough by adjusting their prices, believing that the boom of the 1980s would continue.

Restaurants' underlying fixed asset - the freehold or the lease of their property - has also declined in value with the property market and for the first time in a number of years even corporate clients, with corporate credit cards, are watching their bills.

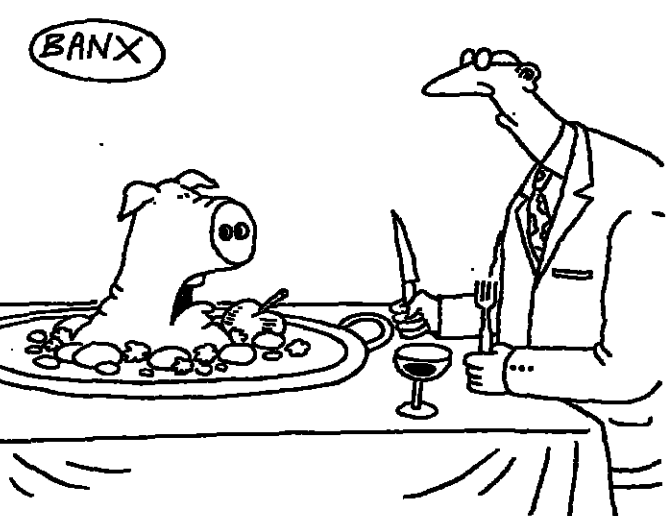
Recently, a national newspaper announced that it aimed to cut its expenses budget by 90 per cent to compensate for falling advertising revenue. Not good news for any restaurant in its neighbourhood.

Many restaurants are on the market and in view of the time, effort and cost involved in opening a new one, several represent an absolute bargain. But, even if you were approached with what looked like a sure-fire winner, would you be wise to invest?

The first part of the answer to this question is the most straightforward. If you are looking for a quick and substantial return do not invest in any restaurant other than a fast food outlet. The one financial constant in the restaurant business is that the profits generated are in inverse proportion to the quality of the food served - the better the food the smaller the profit. As Nico Lander's restaurant, Chez Nico, in Great Portland Street, has watched with some envy as Burger King packs them in only 300 yards away on Oxford Street.

At the top end of the restaurant trade, excellence rather than financial reward is the goal. There is plenty of glamour in the industry, particularly when the financial reward is high. And while achieving a degree of excellence can be fulfilling, it can be more so for the chef than for his backers.

Restaurants aiming to offer good food, wine and service can never make millions for anyone. From my own experience as owner of L'Eclairage in Soho, it became obvious that aiming for a net profit of 10 per cent each month was a worthwhile target, but achieving it was considerably more difficult. At its simplest the arithmetic goes as follows: fixed overheads should be no more than 25 per cent, staff costs the same, food and beverage costs should be kept to 40 per cent.



"I'LL SAY TIMES ARE HARD HERE - I WAS THE ACCOUNTANT."

As well as looking at a restaurant's management structure, Roux has further advice for potential investors. Can the chef cook? Check the fundamental arithmetic (and do not allow the chef near the books) - financial control has become much easier to enforce with the prevalence of credit cards. Above all, make sure that the chef never forgets why you have invested in him and insist that he stays in the kitchen and performs and does not spend too much time in the restaurant.

field - as it meant that 60 per cent of the money risked belonged to the Government. The BES system spawned many restaurants that would not otherwise have got off the ground, but did it make many people rich?

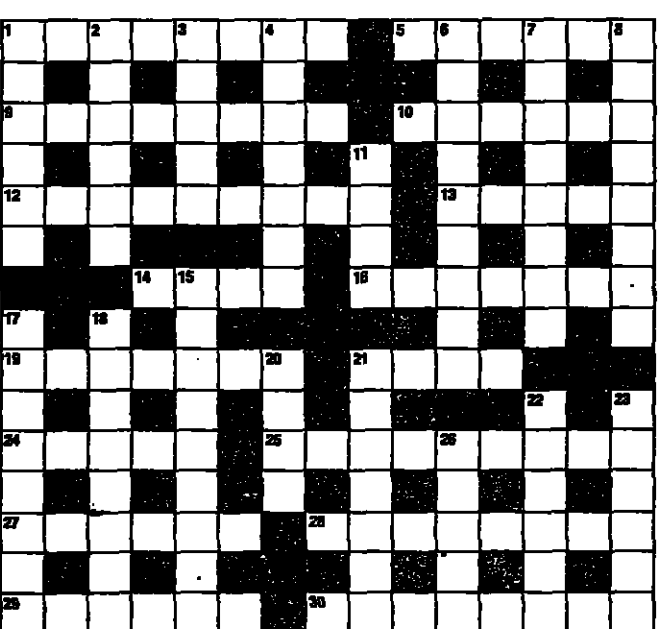
According to one of Blanc's original investors, who put money up in August 1983, the figures would make any capitalist of industry cry, particularly given the array of culinary awards it won. No dividend was paid between 1983 and 1988; and finally in November 1989 Blanc, with outside finance, made an offer for the company which valued it at a modest six times historic earnings.

The investor had had some fun, and some very good meals but had not made any huge gains. The sum of £100 invested in the all-share index on August 12 1983 would have made £332.27p by December 1 1989; by comparison, an investment in Blanc Restaurants Limited produced a comparatively lacklustre £200, although with the tax allowances the effective return is £200.

During the past 15 years Albert Roux, proprietor of Le Gavroche, the three star Michelin restaurant in London's Mayfair, has brought together

CROSSWORD

No. 7,330 Set by DINMUTZ.
Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday September 12, marked Crossword 7,330 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday September 15.



- ACROSS**
- US stockholders' (8)
 - Caution with... (6)
 - Pay out for bus rides all over the place (8)
 - Shot after midnight, in the field (6)
 - Mercury! This brew stinks (9)
 - Fall to pay gambling debts! (The language) (5)
 - Response from the chorus-line (4)
 - The shortest dance (3-4)
 - Greek philosopher discussing some soldiers (7)
 - Everybody on square is high (4)
 - Cuts up meat (5)
 - Main upright bit to put out? (7)
 - Fellow, stranger, brings cat-to-food (8)
 - Rather expensive sheep - it's straying! (8)
 - With breathing problems from using scuba? (6)
 - Horse-trainer's method - groom a long time (8)
- DOWN**
- Replace bone but bring down the price (6)
 - Common grub destroyer? (6)
 - This eastern dish takes time, it one to follow it (5)
 - Italian dish to stir vigorously, with love (7)
 - Gymnastic feat which impresses the field? (9)
 - Correspondence of English gentry (8)
 - Easy berth booked (8)
 - Beginner in pretty rough environment (4)
 - Look out for high tarts! (5-4)
 - No broad-spectrum remedy! (6)
 - Kiss and cuddle, like a pair in source of romantic light (8)
 - Frying is so unusual in New York (4)

BRIDGE

My first hand today comes from rubber bridge. Here is Wearing the Blindfold:

N		S	
♠	10 9 8 3	♠	4 3 2
♥	Q 8 7 6	♥	5 4
♦	K 8 7 6	♦	5 4
♣	Q 9 8 7	♣	5 4

At game all South dealt and opened with one diamond. North responded with one spade, and South rebid two trumps. His partner now bid three hearts, North said five diamonds, and South went six.

West led the four of diamonds, which ran to knave and queen, and another diamond to the eight pulled the trumps. South took stock. There were two losers, one spade and one club. Could the slam be made? The declarer, a first class player, saw just one chance. If East held the ace of clubs, an avoidance play would ensure the slam. At trick three he led dummy's six of clubs, and East, holding the ace, was faced with a Morton's Fork dilemma. If he played his ace, he would give declarer two tricks in the suit, and South's trick loser would be discarded on the queen of clubs. He played low, and the king won. Now the declarer crossed to the heart queen, cashed the ace, and returned to his hand with a spade to the ace. Dummy's two remaining clubs were thrown on the king and knave of hearts, and declarer claimed his slam, graciously conceding a spade to the king.

E. P. C. Cotter

CHESS

THE LLOYDS Bank Masters, Britain's premier international chess tournament, again upheld its reputation for competitive play. The fourteenth tournament in the traditional series ended this week at the Cumberland Hotel, London, with the issue in doubt until the final round.

With Suba, who won his first six games, and then Stuart Conquest, who reached 7½/8 with two rounds left, looked likely to dominate the event. But both lost after taking a clear lead, while Britain's youngest grandmaster Michael Adams, 16, came with a late run of wins.

The other surprise contender was the former champion of Soviet Georgia, Zurab Sturua, one of a growing band of players from the USSR whose talents have flourished since glasnost. Sturua's win over top seeded John Nunn was one of the many surprises in a tournament where England's olympic silver medal team were eclipsed by lower ranked opponents.

Conquest who qualified for a grandmaster result and should soon be awarded the title, was the revelation of the British contingent. His early chess hero was Mikhail Botvinnik, and the influence of the former world champion is clear in this week's game. Hodgson, a talented and inventive player, sometimes lacks gravitas in his choices of openings, and Conquest acquires a useful pawn centre supported by a pair of bishops. Following Botvinnik's theory that you should exchange static for dynamic advantages, White 'sacrificed' his outpost central pawn but gained a winning attack which leads to checkmate.

White: S. Conquest. Black: J.M. Hodgson.

White to accept the gambit.
6 e4 Qe5+ 7 Bd2 b4 8 Na3
Bae 9 Nc4 Bxc4 10 Bxc4 d6 11 Qe2 g6 12 f4 Bb6 13 Nxb1

Now White commands the centre and is ready to advance further by e5 and f5. His last move counters a possible plan of Nf5, O-O and f5 for Black.
13... O-O 14 O-O Nf7 15 e5! dxe5

Accepting White's pawn offer leads to quick defence. Black should try 15... Bg7 16 e6 Nf6.
16 Bxe5 Bxd2 17 Qxd2 Nxe5 18 Qb6 Nc4 19 Qe5!

Here 19 Qb4 b5 20 Qxe7 Rxe7 allows a stiffer defence.
19... f5 20 Nf4 Kf8 21 Rf3 Rf6 22 Rb3 Qb6 23 Re1 Qd6 24 Rxe7!

Launching his final attack. It is no great surprise that there should be a winning combination, since White's entire army is in action while Black's QR and QN might as well be in the box.
24... Qxe7 25 Nxe6+ Rxe6 26 Qxe7 Bg7 27 Qe8+ Rg8 28 Qe7 Bf7 29 Rxe7+ 1 Rxe7 30 Qb6 mate.

Final leading scores at Lloyds Bank were Conquest and Adams (UK) and Sturua (USSR) 8/10, Nunn, Suba, Levitt and Gallagher (UK) and Eal-

PROBLEM No. 836
BLACK'S MEN

WHITE'S MEN

L. Debandhava (USSR) v. M. Chandler (England), Lloyds Bank 1990. Material is level, but White seems to have the initiative with his threat of Bx7+. What should Black play?

Solution Page XII

Leonard Barden

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HOW TO SPEND IT

The perfect wine cellar for every city dweller

Lucia van der Post says even a flat can offer an ideal home for delicate bottles

IF THERE'S one thing I envy my country-based friends - more than their broad acres, more than their spare-rooms, their capacious cupboards and their larders - it's their cellars.

Somewhere to store the wine, to dawdle in, to size up the labels languidly and ponder on which would go best with what. These moments are not for those who live in urban flats or terraced houses... or at least, I thought they weren't until I met Jon Thorn. Jon could be said to be an apostle of the cellar-for-all philosophy and the bible for fellow believers is *The Good Cellar Guide* or *How To Buy and Store Wine for Pleasure and Profit* published this week. He believes that there is no flat so mean, no house so poky, that storing wine properly isn't possible. All you need is ingenuity, the will to find the space, the determination to store things properly.

He is confident that if you love wine and drink it reasonably regularly it HAS to be a good investment. Poverty is no excuse. The quickest, simplest and cheapest way to drink better wine is to improve the storage of the wine you normally buy or already have.

Twenty years ago most wine was sold when it was ready for drinking. These days, as the cost of buying early and storing properly has risen, more wines are sold before they are ready for drinking. Regular imbibers of supermarket champagne will have noticed that in recent months it has had a slightly acid, unimpressive taste (I'm sure Jancis Robinson, our wine expert, would find more elegant ways of phrasing this but I hope you get my drift) - keep it six months in proper conditions and you would almost certainly find a marked improvement in flavour.

As for fine wines Jon says that many wines "which can mature over years, even decades, are mostly being drunk far too young. This is a tragic waste. If kept under the right conditions, those bottles could, in a few years, contain a very much better wine, with a richer range of flavours - the sum of all the potential pleasure put into the bottle in the first place."

OK, so now you're convinced what do you do about it? A good start would be to buy *The Good Cellar Guide* for it really does tackle all the basics the would-be cellar-winner needs to grapple with from which wines to buy for laying down, to keeping a cellar book and how to store and organise the bottles. Finally he tackles the big problem - how to procure a cellar out of even the most unpropitious of spaces and just to inspire you describes several real live cellars (including Jancis Robinson's own).

He lists the places to consider for those really short of space (the garage, the garden shed, under the stairs, the coal-hole, the loft, under the bed, in the wardrobe, etc) and then gives precise advice on how to make them suitable for wine storage. The five basics he defines as: dark, still, cool, flat, dry or moist (ie moist enough to keep

the corks from drying out but dry enough to prevent moulds and fungus developing).

He details inexpensive ways of protecting the wines - boxing in standard wine storage units with insulated hardboard or Contiplas floor. Alternatively, blinding with laths, "which are thin lengths of woods, is the cheapest way to store wine, but you do need a lot of bottles and space to make it work, and the commitment to keep them in place for some time."

Then he compares the various off-the-shelf shelving systems such as Spur steel adjustable shelves, industrial steel shelving from B & Q, Habitat's pine utility systems and Ikea's basic pine unit. All these come with dimensions, prices and weight-holding calculations and, of course, precise instructions on how to provide the five basic needs.

The single easiest, though far from cheapest, way to conjure up a really proper cellar is to call in the Spiral Cellar people. See it sketched below. It is a French invention and Spiral Cellars, The Wines, Hardwick Close, Knott Park, Orchest, Surrey KT2 0JZ (0372-942692) have the license to sell it in Britain.

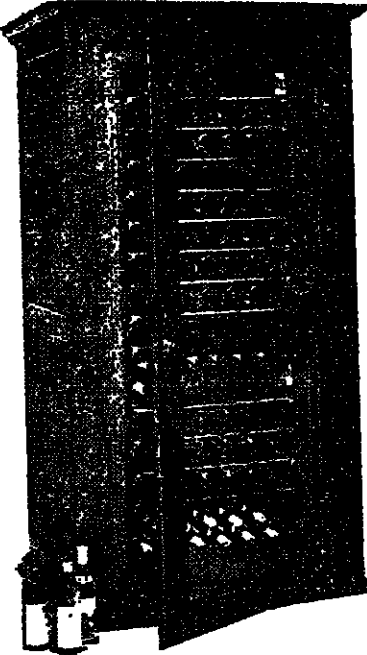
Basically you start with a very large hole and once the cellar is installed access is by a trap-door. The ideal time to put one in is when you have builders in anyway and ideal places are under a new extension, a conservatory or a garage but townies can have one too - in London there are now Spiral Cellars under a dining-room table, under some stairs, in a front room.

The kit comes in various sizes - the smallest is 0.85 metres deep, costs £2038 (excluding VAT) and will hold some 400 bottles. The largest is 3 metres deep, costs £3,500 (exc. VAT) and holds 1,600 bottles. On top of that (no wonder Jon Thorn recommends that you read all this sitting down with a glass in hand) there are the installation costs which can vary from as little

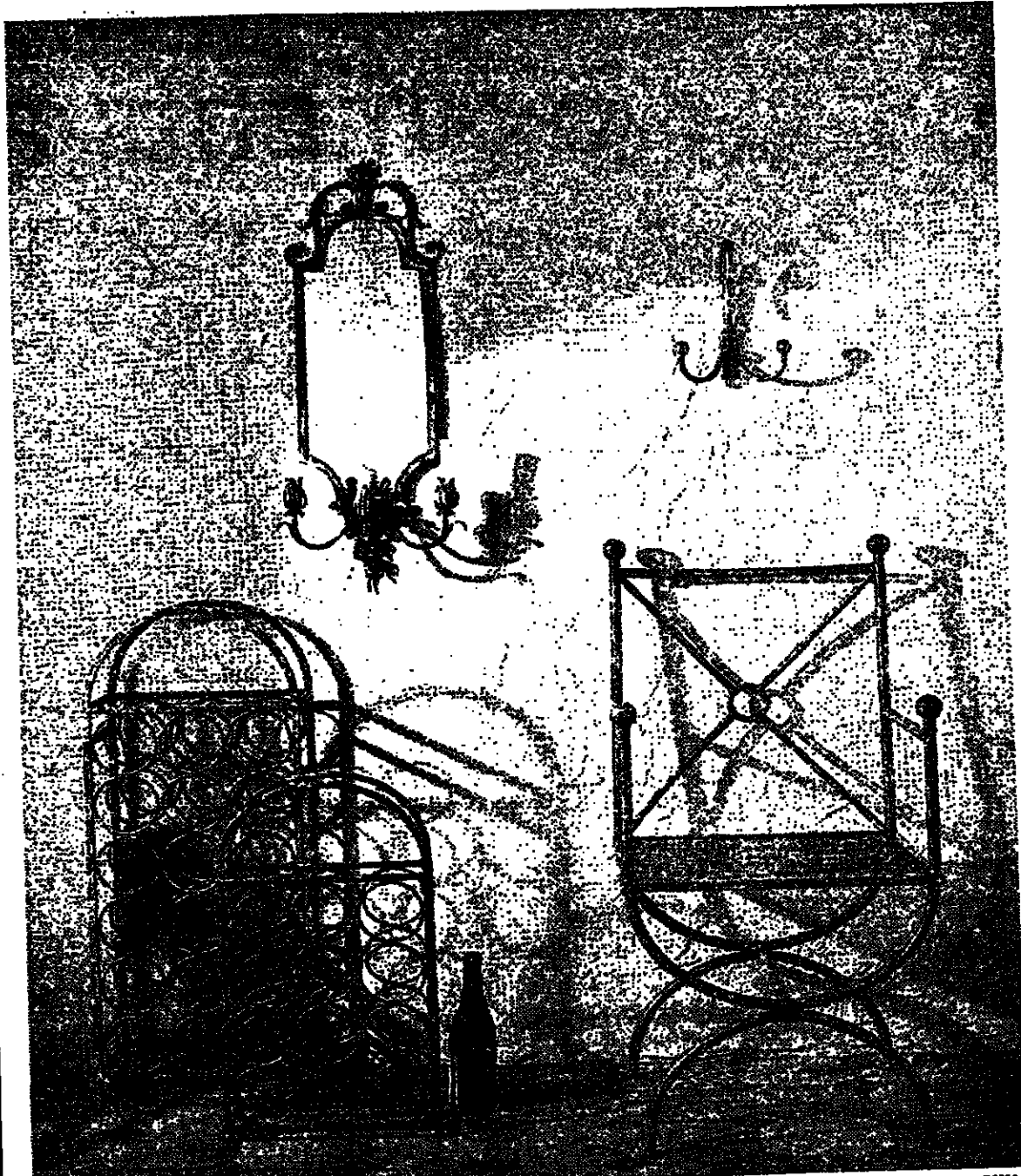
as £500 if you have builders around what is essentially a rather large fridge then you could simply buy one of Eurocaves many models. I wrote about them many years ago when they first appeared but now there are far more models and more sophisticated temperature arrangements. Apparently in the US it is fashionable to store wines at different temperatures - long-term wines at 50 Fahrenheit medium-term wines at 55 F and the drinking wines at 60 F. Some can be integrated to fit into standard rows of kitchen units, others are free-standing, some are disguised as bits of furniture. All, of course, provide the perfect wine-keeping conditions no matter where they are placed. The smallest Eurocave holds 65 bottles,

the largest holds 460. Prices range from £595.50 to £2087.25. For brochures and details write to IFM, Martock Business Park, Great Western Road, Martock, Somerset. 0835-828333.

* *The Good Cellar Guide* by Jon Thorn is published by Sidgwick & Jackson, £8.99. If you want advice on any aspect of wine storage, whether from how to organise the wines you've already bought, which wines to buy or how to find space in a seemingly hopeless situation Jon Thorn's Cellar Consultants will do just that - for his travelling costs and a fee. Write to him at P.O. Box 489, London SE17 3DL or telephone him on 071-883-4666. He will dispense advice by post for £75 - he sends you a detailed questionnaire which you fill in and he then sends a worked-out scheme.



Above: Eurocave's Romantic wine cellar - storage for 200 bottles. £285. Below: the spiral cellar - you can even put it under the dining-room table.

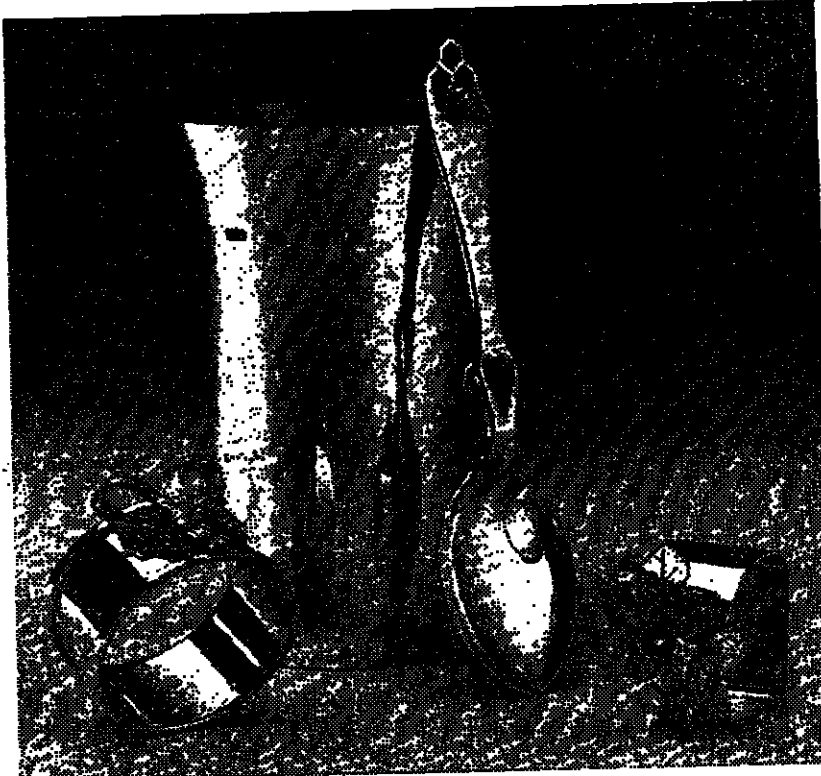


High decorative wine-racks are not cheap but they are pretty - McCloud & Co 61 Hillier Rd, London SW11 produce this range of forged metal racks. Left, for 20 bottles, £180, above, for 12 (£105) and 18 (£235).

Silver spoons

THERE ARE those who, when they become godparents, prefer the sort of imaginative christening presents that are hardly photogenic - anything from a case of finest claret to membership of a suitable club - but there are others whose tastes run to something more tangible. John Donald is a long-established City jeweller who always keeps a small selection of suitable godparent presents. Photographed left is a beaker which a rich godparent might consider adding to from time to time - silver with gold-plating on the inside it sells for £280. The silver honey spoon topped by a little bee is £115. One silver napkin-ring has a detachable bow brooch, the other a detachable rosehip brooch. Both are £180. All from John Donald, 129 Cheapside, London EC2V 6 DR. John Donald's is also happy to conjure up an original design for those who prefer something more personal.

L. v. d. P



Bath time a step nearer for unwashed millions

DID YOU know that there are over 5m people in the UK who are scared of taking a bath? Neither did I. Twyford's, the bathroom company, discovered in the course of research, that most of the 5m people who find the business of the daily bath such a hurdle are mostly afraid that they will either slip while getting in or out or that, once in, they will not be able to get out. They further discovered that though the number of elderly people (that is, people over 65) in the population is growing fast (over the next 30 years it will rise from 12 per cent to 23 per cent of the population) there is also a significant proportion of relatively young disabled people. Twyford's therefore decided

to see what it could do to provide an attractive looking bathroom intended to ease the problems of such people. The result is photographed below. It may not look as glamorous as some of the futuristic designs coming out of Italy but it has clearly met many practical needs. Twyford's spent three years working on the design in co-operation with The Centre for Applied Gerontology at The University of Birmingham. They found that a "stepped" bath, with a seat for sitting on and another step to allow the user to sit with legs bent rather than straight, was what most disabled or elderly people wanted - so this is what they've developed. The loo is

an extra 2 1/2 inches higher than most loos and the basin is adjustable to suit the height of those in wheelchairs or for those who can't stand for long periods and might need a chair.

Taps have a lever action instead of a twisting one so that they can be turned on with just an elbow for those who can't use their hands properly. Avalon, as the range is called, comes in nine different colours, including, you will be happy to hear, white, and has very similar dimensions to most existing average bathroom suites. It is available to order from September 12.

L. v. d. P



Back pages

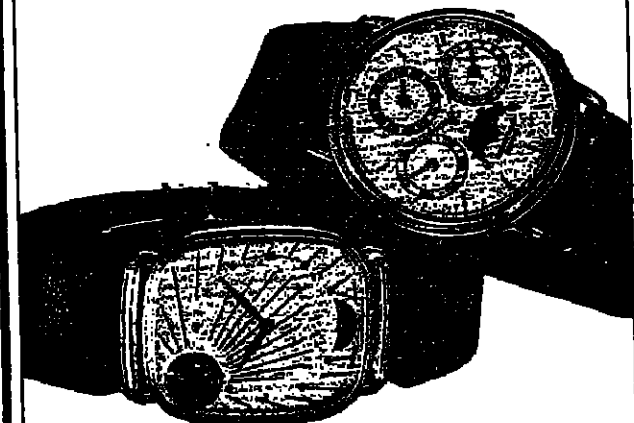
THE DOVER BOOKSHOP in London's Covent Garden specialises in returning rare discontinued texts to the shelves. Most of the texts are out of copyright so they have become a much-used pictorial resource by many an advertising type while historians, craftsmen and students all regularly scour the shelves for texts on their subjects.

Hayward Cirkor is the founder and president of Dover Publications, and for 46 years he has been seeking out rare and obscure texts, but among the little-known names are Albert Einstein, Charles Darwin, Lewis Carroll and Johann Sebastian Bach. Every year some 200 new titles are added to the list ranging from rare tomes on astronomy to beautiful printed children's out-puts. Indeed the children's list is particularly appealing with lots of editions that had been long out of print. There is Lewis Carroll with the Tunnell drawings, a facsimile of the manuscript that Carroll gave to the original Alice in 1864. Joseph Jacobs' Celtic Fairy Tales, a vast selection of Andrew Lang's fairy books and much, much more.

There are only three Dover Bookshops in the world - one in Sydney, one at the Dover Publication Editorial office, 106 Varick Street, New York 10014 and now the one at 18 Earlham Street, London WC2. There is an efficient mail order service, and an excellent catalogue.

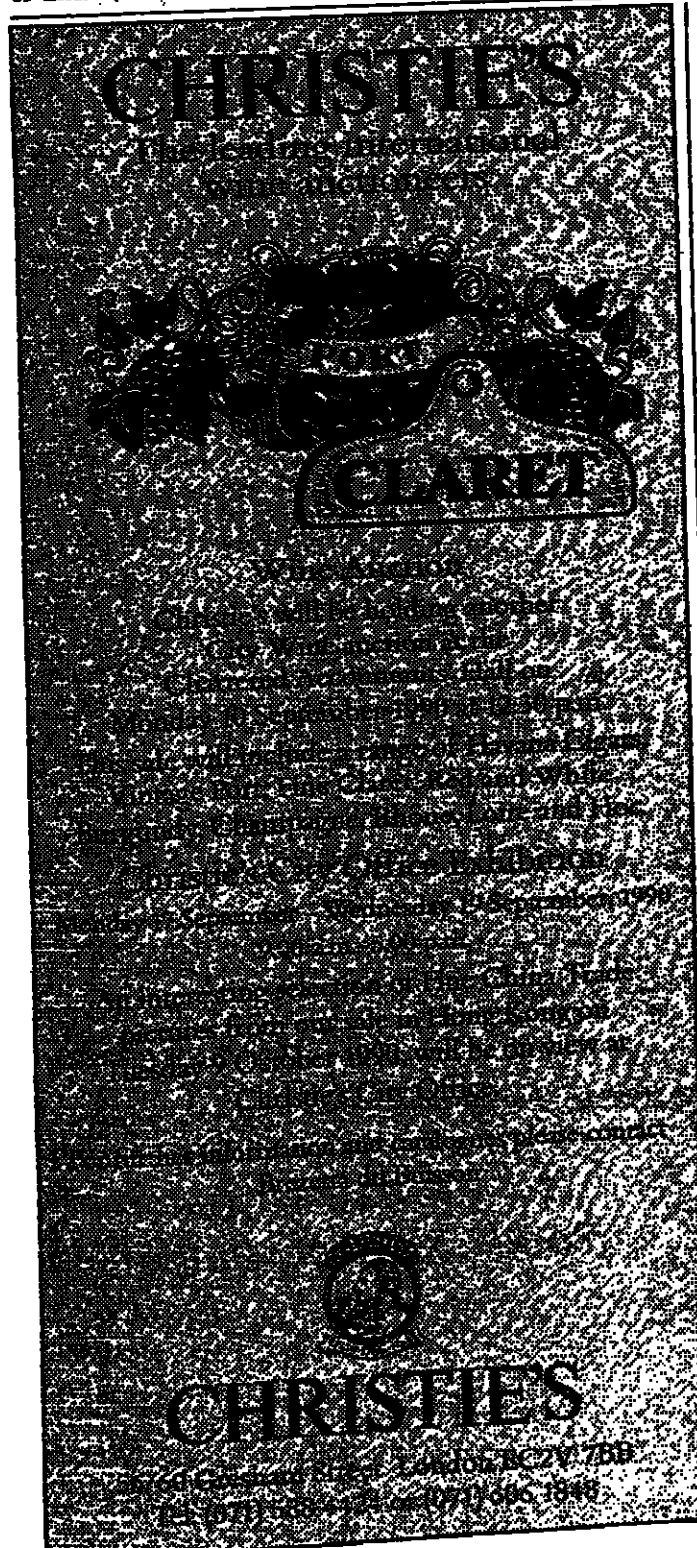
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